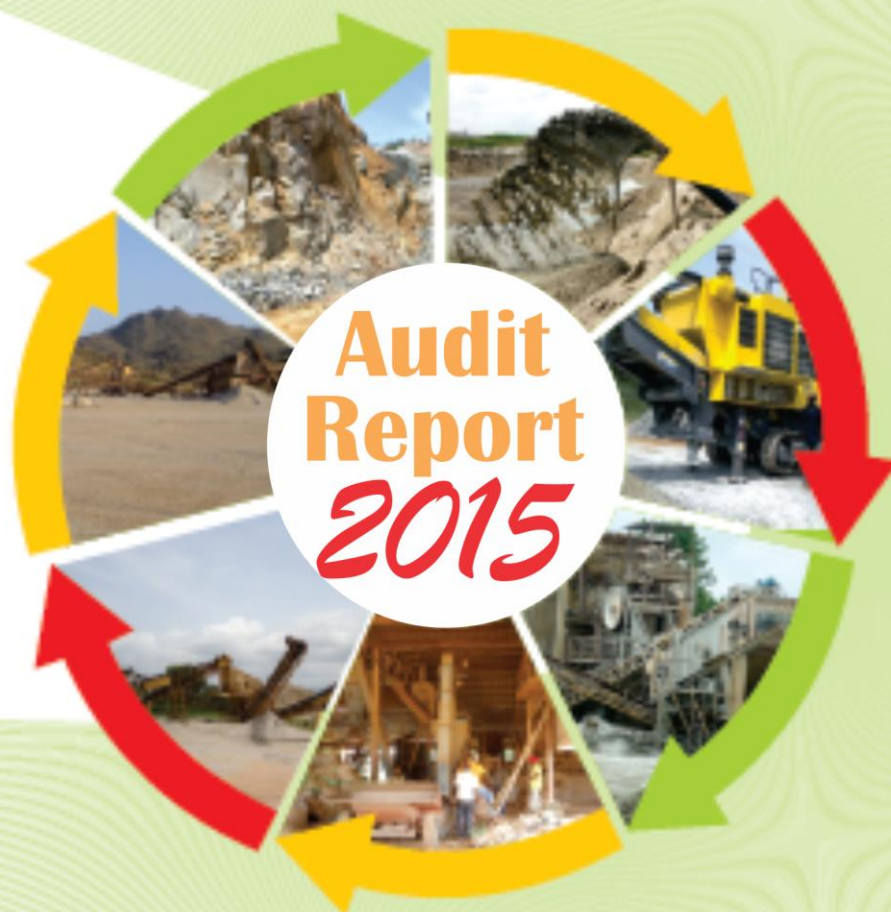
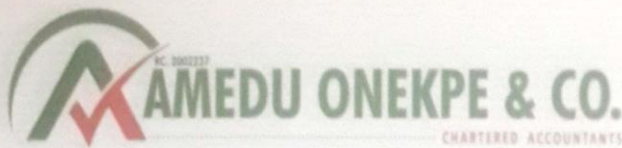


SOLID MINERALS INDUSTRY



Full Report



July 31, 2017

The National Stakeholders Working Group of the
Nigeria Extractive Industries Transparency Initiative,
C/o NEITI Secretariat, 4th floor, Marijanatu House,
No. 1 Zambezi Crescent, Maitama,
Abuja.

REPORT ON THE 2015 EITI SOLID MINERALS RECONCILIATION FOR NIGERIA

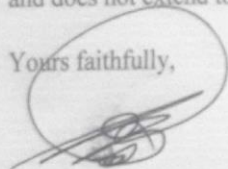
We have performed the procedures agreed with you, in accordance with our engagement letter dated 22nd August, 2016.

The work was commissioned for the purpose of the Nigeria Extractive Industries Transparency Initiative in compliance with EITI Standards for implementing countries. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures performed were those set out in the Terms of Reference appended to this Report, except where stated otherwise.

We report our findings in the accompanying report, including its appendices. Because the procedures were not designed to constitute an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the transactions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose of informing the National Stakeholders Working Group on the matters set out in the terms of reference and is not addressed to any other party or to be used for any other purpose. This report relates only to the subject matter specifically set out herein and does not extend to any financial statements of any entity taken as a whole.

Yours faithfully,



Sunny Onekpe
Managing Partner

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List of Acronyms

ANAN	Association of National Accountants of Nigeria
ANFO	Ammonium Nitrate Fuel Oil
ASC	Ajaokuta Steel Company
ASM	Artisanal and Small Scale Mining
ASMD	Artisanal and Small Scale Mining Department
BOF	Budget Office of the Federation
BPE	Bureau of Public Enterprises
C of O	Certificate of Occupancy
CAC	Corporate Affairs Commission
CAMA	Companies and Allied Matters Act
CBN	Central Bank of Nigeria
CDA	Community Development Agreement
CGT	Capital Gain Tax
CIT	Company Income Tax
CITA	Company Income Tax Act
CSR	Corporate Social Responsibility
CU	Cadastre Unit
DFI	Development Finance Institution
DSC	Delta Steel Company
EDT	Education Tax
EIA	Environmental Impact Assessment
EITI	Extractive Industry Transparency Initiative
FCT	Federal Capital Territory
FGN	Federal Government of Nigeria
FIRS	Federal Inland Revenue Service
FME	Federal Ministry of Environment
FMITI	Federal Ministry of Industry, Trade and Investment
FMO	Federal Mines Officer
FMoF	Federal Ministry of Finance
FOB	Free on Board
GDP	Gross Domestic Product
ICAN	Institute of Chartered Accountants of Nigeria
ICT	Information and Communication Technology
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
ISRE	International Standards on Review Engagements
ISRS	International Standards on Related Services
LASEMA	Lagos State Emergency Management Agency

LGA	Local Government Area
MCO	Mining Cadastre Office
MDAs	Ministries, Departments, and Agencies
MID	Mines Inspectorate Department
ML	Mining Lease
MMA	Minerals and Mining Act
MMSD	Mining Minerals and Sustainable Development
MMSD	Ministry of Mines and Steel Development
MTEF	Medium Term Expenditure Framework
MTSS	Medium Term Sector Strategy
NASS	National Assembly
NBS	National Bureau of Statistics
NC	Not Communicated
NCP	National Council on Privatisation
NCS	Nigeria Customs Service
NEITI	Nigeria Extractive Industries Transparency Initiative
NESREA	National Environmental Standards and Regulations Enforcement Agency
NESS	Nigerian Exports Supervision Scheme
NGSA	Nigeria Geological Survey Agency
NIOMCO	Nigeria Iron Ore and Mining Company
NIPC	Nigerian Investment Promotion Commission
NIWA	National Inland Waterways Authority
NMC	Nigerian Mining Company
NSE	Nigeria Stock Exchange
NSDA	National Steel Development Authority
NSWG	National Stakeholder Working Group
OAGF	Office of the Accountant General of the Federation
PAYE	Pay As You Earn
PIS	Project Implementation Schedule
QCT	Quality Control Team
QL	Quarry Lease
RFP	Request for Proposal
RMAFC	Revenue Mobilization, Allocation and Fiscal Commission
RT	Reporting Template
SBIR	State Board of Internal Revenue
SMDF	Solid Minerals Development Fund
SMMRP	Sustainable Management of Mineral Resources Project
SOE	State Owned Enterprises
SSML	Small Scale Mining Lease
TIN	Tax Identification Number
TOR	Terms of Reference

VAT	Value Added Tax
WHT	Withholding Tax

1.0 Introduction

1.1 Background

EITI is a global body comprising governments, civil society, and extractive companies, working together to promote transparency and accountability in the use of revenue derived from extractive activities, accruing to countries endowed with natural resources as shown in figure 1.

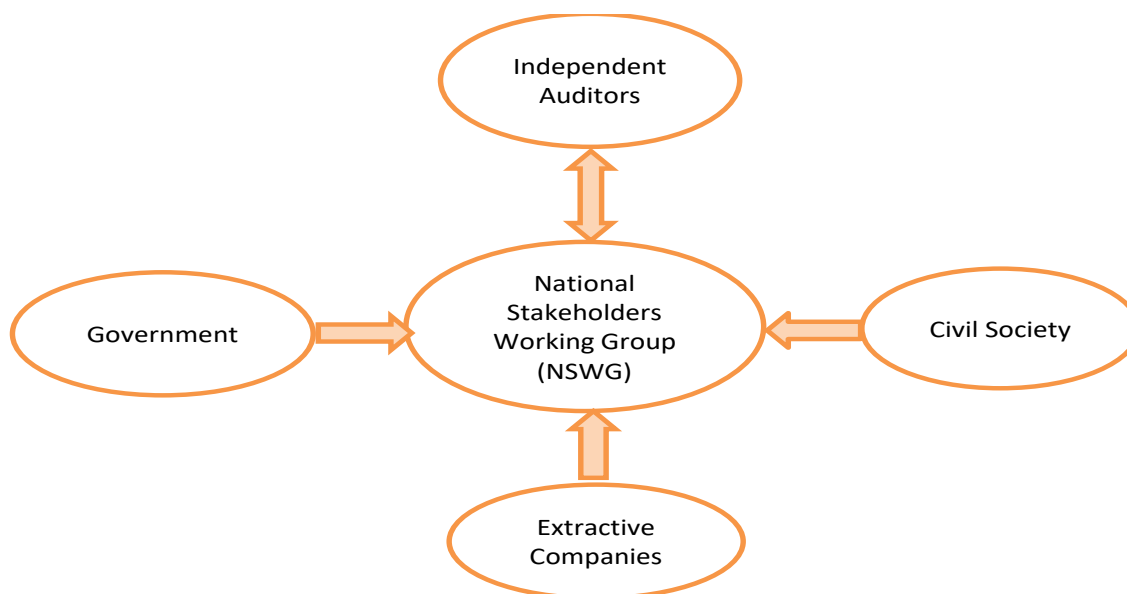


Figure 1: In-country Stakeholder Analysis.

Government, together with companies and Civil society, work to improve the management of natural resources by implementing the EITI standard. The independent auditors are to ensure the completeness and correctness of the amount declared by the companies as paid to Government and what Government declared as receipt from the companies.

The principles of EITI are based on the belief that prudent use of natural resources contributes to economic growth, sustainable development, and the reduction of poverty in resource-rich countries. EITI helps civil society groups, media and the public at large to systematically review revenue receipts and payments from the extractive industry. This builds trust, reduces risk of conflict, and promotes stability and sustainable economic development in the member countries. As at 31 July 2017, the EITI has 52 (fifty-two) implementing countries. The status of the 52 (fifty-two) implementing countries can be found in the link below.

<https://eiti.org/countries>

The EITI Standard approved in February 2016 is the fifth version since the EITI Principles were agreed in 2003. Revenue transparency remains a fundamental aspect of the EITI. The EITI standards have been realigned to better reflect the importance of bringing transparency to other aspects of resource governance, such as licensing, beneficial ownership, production, and revenue management.

EITI implementation has two core components:

- **Transparency:** Oil, gas and mining companies disclose their payments to the government, and the government discloses its receipts. The figures are reconciled by an independent Auditor and published in annual EITI Reports alongside contextual information about the extractive sector.
- **Accountability:** Multi-stakeholders' group with representatives from government, companies and civil society is established to oversee the process and communicate the findings of the EITI Report to the public with a view to generating robust debate and to hold government to account.

Nigeria signed up to the EITI in 2003 and the implementation began on 16th February 2004 with the establishment of NEITI and setting up of the NSWG. This was followed with the enactment of NEITI Act of 2007. The primary purpose of the Act is to enhance and institutionalize a system of openness and transparency in the flow of revenue information from the extractive industry. This helps to promote accountability, transparency, prudent financial management, and probity in public revenue management.

Nigeria has published 5(five) reports, in line with the EITI Requirements, covering the years 2007 to 2014 as set out in the table below.

Table 1: NEITI Published Reports 2007 – 2014.

S/N	Year	Reporting Companies No	Total Payments from Companies Entities (USD Millions)	Total Revenue from Government Entities (USD Millions)	Publication Dates
1	2014	39	410.15	293.57	Dec-16
2	2013	65	192.98	194.93	Mar-16
3	2012	65	177.58	164.67	Dec-15
4	2011	67	172.69	172.91	Jan-13
5	2010	78	115.19	115	Dec-12
6	2009	78	129.35	129.73	Dec-12
7	2008	78	79.32	80.82	Dec-12
8	2007	78	61.43	65.26	Dec-12

It is important to note that implementing countries are required to submit their first EITI report within 18 months of being admitted as an EITI candidate. Thereafter, implementing countries are expected to produce EITI reports on an annual basis. This report on Nigeria solid minerals sector is the sixth in the series covering the period, 1st January to 31st December, 2015.

Objectives of the Assignment

The objectives of the assignment as provided in the TOR are as follow:

- i) Report on the quantities of minerals produced, utilized and exported in a manner, which is insightful, and of such integrity as to be reasonably relied upon by NEITI

- and to also make recommendations on any issues arising in the course of conducting the work.
- ii) To report on the revenue flows amongst the Extractive Companies in the Solid Minerals sector of the Economy, on transactions made by participants (both public and private) in Nigeria's Solid Minerals Sector.
 - iii) To undertake special verification work on certain classes of transactions.
 - iv) To report on balances payable / receivable at the end of the audit period for certain financial flows
 - v) To reconcile the physical/financial transactions reported by payers and recipients as appropriate

Scope of Work

The scope of work as provided in the TOR issued to us are as follow:

- i) Validate, analyse, and reconcile financial and related information pertaining to all specified revenue flows and such other transactions which may affect such flows amongst and between the Extractive Industry Companies in the solid minerals sector (hereinafter referred as "Company" or "Companies";
- ii) Ascertain if the payments are in conformity with applicable legislations.
- iii) Ascertain appropriateness of payments made with regards to mineral royalties, taxation on profits and for mineral rights;
- iv) Reconcile the financial transactions reported by payers and recipients, as per the scope set out herein;
- v) Review audited financial statements for consistency between the Companies (where applicable) and Government ;
- vi) Report on balances payable/ receivable at the end of the audit period for financial flows;
- vii) Review the capital investment in order to determine if the amortization and the depreciation declared are correct and have not reduced the amount of taxable profits of the Companies;
- viii) Perform the audit of operational cost in order to asses if the deduction claims were actually incurred and correspond to legitimate operational expenses;
- ix) Analyse the tax deductions claimed by the Companies in the sector for the purpose of identifying improper claims.
- x) Reconcile the data so collected to ascertain if there is any disparity between the governments reported templates and aggregated Companies reporting templates.
- xi) Report on illegal mining activities and abandoned mine sites and make recommendations thereof.
- xii) Build upon the analysis, findings and recommendations of the previous audits;
- xiii) Obtain all information on Social Expenditures as mandated by Law
- xiv) The Independent Auditor shall review all existing concessions, current title holders including all the beneficial owners (where applicable), types of titles held and award procedures with a view to make appropriate recommendations.
- xv) Provide recommendations leading to standardized reporting methodologies which enhance industry-wide reporting, sector analysis, and transparency.
- xvi) Provide both on and off the job training to the Secretariat Staff involved in the conduct of the assignment with a view to building capacity and enhancing efficiency of future audits.

Deliverables

The deliverables for the assignment as provided in the TOR issued to us are as follow:

- i) Inception Report
- ii) Draft Report
- iii) Final Report

Challenges to the Assignment

The major challenge we encountered while carrying out this assignment was late submission of required data by some of the new extractive industry companies that met the threshold for 2015 audit.

The differences between data from FIRS Portal and official receipts issued by the state FIRS offices was also a challenge due to non-reconciliation of FIRS portal figures with those of the state FIRS offices.

Some companies, kept their records offshore without copies of such records in the country. Mercury Mining in Ondo State is a good example of such companies. This made it impossible to verify, validate and reconcile their CIT, VAT, EDT, WHT, Royalty and other fees payments due to government agencies.

2.0 Reconciliation Approach and Methodology

Our approach was to identify the financial flows in the Nigeria solid minerals industry. These were classified into (a) Solid Minerals financial flows, i.e. flows that are specific to the solid minerals industry and (b) Non-Solid minerals Financial Flows.

We equally determined the tonnage of mined minerals (germstones, ferrous and non-ferrous metals, energy minerals) and any other relevant minerals produced and exported by the companies in 2015.

Our methodology was to compare what the mining companies disclosed as their payments to the government, and what the government disclosed as receipts. In the event of disagreement, we reported the differences. Differences, if material, were subjected to further investigation and reconciliation. We further carried out validation work in order to confirm the correctness and completeness of the amount paid with the underlying records that gave rise to the amount. This was carried out for the key financial flows, namely:

- ✓ Royalty,
- ✓ Education Tax,
- ✓ Company Income Tax (CIT),
- ✓ Value Added Tax (VAT),
- ✓ Withholding Tax (WHT) and,
- ✓ License fees, ground rent, levies and penalties

We analyzed and reconciled financial and related information pertaining to the revenue flows, investment flows, and such other transactions which affected such flows amongst and between the covered entities. We built upon the analysis, findings and recommendations derived from the solid minerals audit previously completed; updated prior assessments of reporting structures and procedures, as set forth in the final audit report of 2014 to reflect information and findings for 2015. We provided recommendations leading to standardized reporting methodologies to enhance industry-wide reporting, sector analysis and transparency.

2.1 Preliminary Analysis

The preliminary data obtained from NEITI were analysed to determine the following:

- i. Companies operating in the solid minerals sector of the extractive industry during the year under review.
- ii. Appropriateness of the materiality threshold approved by NSWG.
- iii. Extractive companies within the threshold.
- iv. Financial flows in respect of payments and receipts as illustrated in figure 2 below.

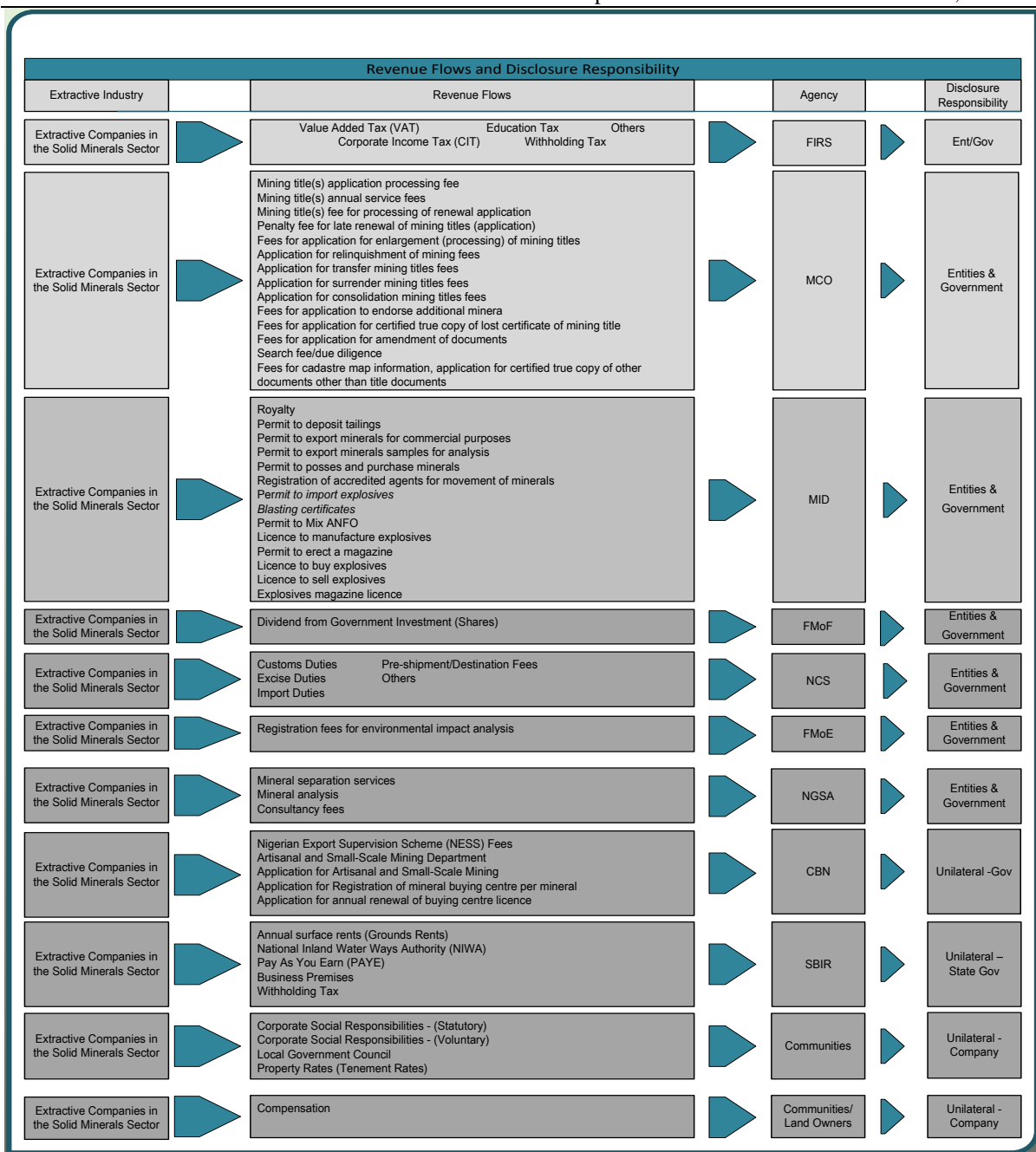


Figure 2: Revenue flows and disclosure responsibility

2.2 Materiality and Data Collection

In compliance with requirement 4.1(a) of the EITI 2016 Standards which requires the NSWG to deliberate and agree on the revenues to be reconciled, NSWG approved three million naira (₦3million) and above on royalty payments for 2015 solid minerals sector audit. The rationale for using royalty as a basis for materiality threshold is that it is the only industry specific financial flow that is tied to actual operations in the absence of any defined fiscal regime for the sector (See table 2 and figure 3).

Table 2: Analysis of Royalties paid by Companies in 2015, based on threshold

1	100M and above	3	637,424,581.91	50.31
2	50M but less than 100M	1	67,580,297.90	5.33
3	10M but less than 50M	14	273,819,241.38	21.61
4	3M but less than 10M	24	123,414,389.79	9.74
	Sub Total	42	1,102,238,510.98	86.99
5	Less than 3M (Others)	439	164,867,514.37	13.01
	Total	481	1,267,106,025.35	100.00

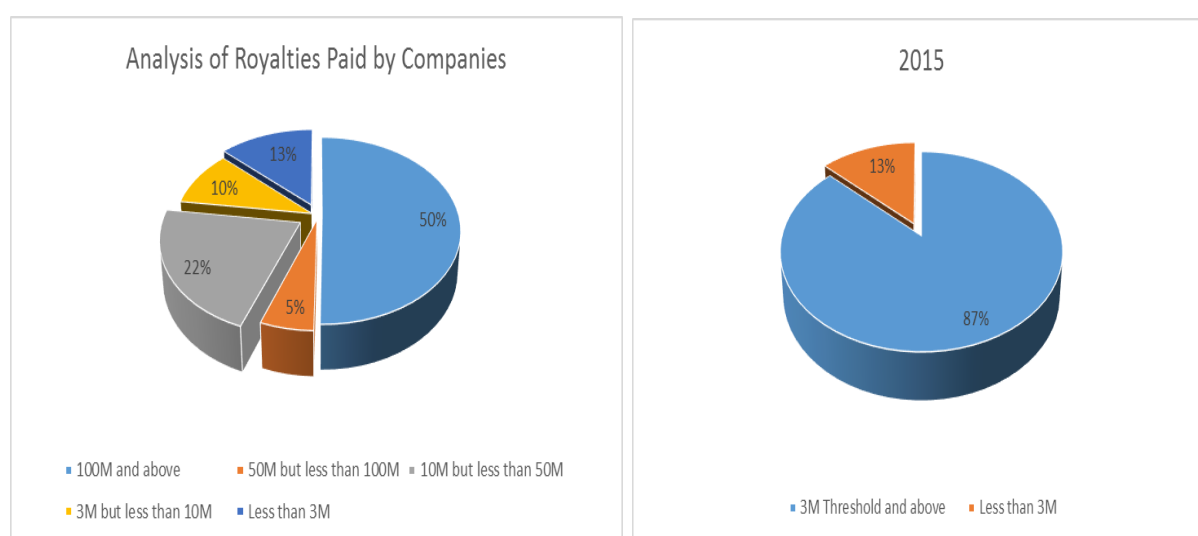


Figure 3: Royalty Analysis

2.3 Templates

The NSWG approved the 2015 solid minerals sector templates for data collection. The approved data templates were dispatched by NEITI to extractive companies as well as relevant government agencies/entities for collection of data. NEITI conducted extensive sensitization on the proper handling and population of the templates. The completed templates were returned to NEITI for subsequent transmission to the Independent Reconciler. When we received the completed templates, we carried out desk review, verification, reconciliation and validation of the data provided by the covered entities to their source documents with a view to confirming the completeness, accuracy and validity of the information provided.

2.4 Reconciliation of Variance

After the completion of the desk review, verification and field visit to the covered entities for validation, tripartite reconciliation meetings between the Independent Reconciler, Government Entities and Extractive Companies (with NEITI officials as observers) were held in Lagos, Port-Harcourt and Abuja. During these interactive reconciliation meetings, Government Entities and Extractive Companies submitted underlying records, that is, receipts for payments made or received to facilitate reconciliation and resolution of any differences arising from their

submissions and validation exercises earlier carried out. At the end of the exercise, the Extractive Companies, Government Entities and the Reconciler signed off on the reconciled position with each party having a copy of the signed off position.

2.5 Data quality and assurance

The specific instructions given to reporting entities for the completion of data templates sent by NEITI included the following:

- i) Companies and Government Entities were requested to sign off their reporting templates by responsible senior officer with appropriate authority.
- ii) The Office of the Auditor General for the Federation to certify revenues submitted by the government entities/agencies and,
- iii) All payments must be supported by documents and official receipts.

We planned and performed our audit exercise in accordance with ISRSs. Those standards require us to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the data provided are free from material misstatement.

We obtained all the information and explanations which we considered necessary to provide sufficient and appropriate evidence to give reasonable assurance that the data provided are free from material misstatement.

Specifically, to ensure compliance with EITI Requirement 4.9 (2016), and satisfy ourselves that the data submitted for the audit exercise is credible, we organized validation meetings with the extractive companies and government entities covered in the audit. During these meetings, the covered entities were made to produce the original receipts and other related supporting documents/records for sighting with a view to confirming accuracy of the amounts declared. We are satisfied that the books and records were prepared in conformity with IFRS and other applicable financial reporting framework in Nigeria.

3.0 Legal and Institutional Framework

Nigeria is rich with over 34 commercially viable solid minerals deposits that spread across the country. From 1903, the country had modest exploration and exploitation with intermittent growth up to 1960. Tin, columbite, coal, etc, were the early solid minerals that contributed significantly to Nigeria's economy but declined at the advent of oil boom from 1970 till date.

The recent return and attention to solid minerals was necessitated mainly by international oil politics, and the need to diversify Nigeria's economy. In the 1970s, the federal government began process of using Nigeria's iron ore and coal deposits to produce steel for her industrialization. The Steel Development Authority (NSDA) was saddled with this very important task. Subsequently, the federal government broke the NSDA into Ajaokuta Steel Company, Delta Steel Plant and other steel rolling mills. At the same period, increased investments were made into the Nigeria Coal Corporation and Nigeria Mining Corporation with mandates to mine, process, add value and enhance the utilization of solid minerals within their activities and to export excess.

In the early 2000, the effect of privatization policy of the federal government resulted in another decline in activities of extractive companies within the solid minerals sector. However, there were increases in exploration and exploitation of construction materials such as limestone and granite for cement production and infrastructure development of Nigeria. Also, there was increase in foreign direct investment in exploration and exploitation of gold, iron ore, coal, gypsum, lead and zinc, tin and columbite among others. This brought about the Solid Minerals Roadmap of 2012, to add value to mining and processing towards greater utilisation and industrialisation.

As recently as September 2016, the Federal Government of Nigeria through the Ministry of Mines and Steel Development, re-launched the Solid Mineral Policy roadmap, aimed at ensuring policy continuity and consistency in the sector. Visit the link below for the Solid Mineral Roadmap.

http://www.minesandsteel.gov.ng/wpcontent/uploads/2016/09/Nigeria_Mining_Growth_Roadmap_Final.pdf

3.1 Legal and Fiscal Regime

Based on the 1999 constitution the administration of all natural resources including solid minerals is on the exclusive list, vesting the granting of licence, royalty collection and general administration on the federal government. The following are some of the principal laws, policies, regulations, and guidelines governing solid minerals exploration and exploitation in Nigeria.

3.1.1 Minerals and Mining Act 2007

The primary legislation that regulates the Nigeria mining sector is the Minerals and Mining Act, 2007. It governs and regulates all aspects of the exploration and exploitation of solid minerals in Nigeria. It was enacted to deal with the short comings associated with the Minerals and Mining Act, No. 34 of 1999. The Act vested on the Federal Government of Nigeria the control, regulation and ownership of all mineral resources therein.

The key provisions include:

- i) Eligibility requirements for grant of mineral titles
- ii) Establishment of the MCO
- iii) Grant of a title on a 'first come, first served' basis
- iv) Environmental considerations
- v) Dispute resolution
- vi) Incentives for investment

Section 19 of the mining and mineral act of 2007 provided for the establishment of the Mineral Resources and Environmental Management Committees (MIREMCOs) to assist the Minister of Mines and Steel Development to carry out the following functions among others, in the 36 states of the federation:

- ✓ Consider matters referred to them from time to time by the Minister of Mines and Steel Development on matters of mineral resource development within the particular State;
- ✓ Advising the Minister on issues pertaining to returns of necessary reports having a bearing on the grant of mining titles;
- ✓ Make necessary recommendations to the Minister of Mines and Steel Development on issues relating to compensation;
- ✓ Give advice to the Minister of Mines and Steel Development on matters pertaining to pollution and degradation;
- ✓ Advise the Minister in resolution of conflicts between, stakeholders; and on issues relating to the implementation of the Minerals and Mining Act 2007;
- ✓ Advising the Local Government and communities on implementation of programs on environmental protection and sustainable management of mineral resources;
- ✓ Rendering advice and other necessary assistance needed by mineral title holders in their interaction with State and Local Governments, communities, civil institutions and other stakeholders;

This committee has not been fully constituted in most of the states; there is an urgent need for this section of the act to be implemented.

3.1.2 The National Minerals and Metals Policy 2008

The National Minerals & Metals Policy 2008 is a product of Minerals and Mining Act 2007. It was designed to provide a new direction of development for the sector by the government with a view to enhancing performance through adequate regulation.

Some of the core objectives of the policy are to:

- ✓ Ensure compliance with environmental best practices and encourage a transparent mining titles and permit regime;
- ✓ Promote linkage with the national economy through the enforcement of the use of domestic metal products for the development of the nation's infrastructure.

3.1.3 Nigerian Minerals and Mining Regulation 2011

The Minister, in the exercise of his powers under the Minerals and Mining Act, 2007 issued the Nigerian Minerals and Mining Regulations 2011. The objective of the regulation is to ensure orderly and sustainable development of Nigerian's mineral resources, create an enabling environment for foreign and domestic investors by

providing adequate infrastructure for mining activities and identify areas where Government intervention is desirable in achieving policy goals in mineral resources development.

The regulation set out the rules, procedures and processes for the acquisition of mineral titles, thereby streamlining the procedures for granting licenses.

3.1.4 Guidelines on Mineral Titles Application 2014

The Guidelines on Mineral Titles Application was issued by MCO to enable it achieve its responsibility of an efficient and effective administration and management of mineral titles in Nigeria in accordance with the Minerals and Mining Act 2007. The guidelines detail the different types of mineral titles, the requirements for the application for these titles as well as a detailed outlook on the application procedure and fees payable.

The following mineral titles are contained in the guidelines:

- ✓ Reconnaissance Permit
- ✓ Exploration License
- ✓ Mining Lease
- ✓ Quarry Lease
- ✓ Small Scale Mining Lease
- ✓ Water Use Permit

3.1.5 Nigeria Extractive Industries Transparency Initiative Act 2007

NEITI Act, 2007 which provides for the establishment of the Nigerian Extractive Industries Transparency Initiative is charged with the following responsibilities amongst others:

- i) Ensuring due process and transparency in the payments made by all extractive industry companies to the FGN and statutory recipients;
- ii) Monitoring and ensuring accountability in the revenue receipts of the FGN from extractive industry companies;
- iii) Eliminating all forms of corrupt practices in the determination, payments, receipts and posting of revenue accruing to the FGN from extractive industry companies;
- iv) Ensuring transparency and accountability in the application of resources from payments received from extractive industry companies

3.1.6 1999 Constitution of the Federal Republic of Nigeria

Under the 1999 Constitution of the Federal Republic of Nigeria (as amended), mines and minerals are contained in the exclusive legislative list. Therefore, the Federal Government has exclusive powers and jurisdiction on all matters relating therein. Consequently, all taxes and royalties derived from mining activities go to the Federation Account.

3.1.7 Land Use Act 2004

The Land Use Act vests all land in the territory of each state in the Governor of the state with exception of land that has been vested in Federal Government or its agencies.

3.1.8 Environmental Impact Assessment Act 2004

The Environmental Impact Assessment Act makes it mandatory to conduct an EIA in respect of any proposed project or activity. More specifically, the Act places a restriction on commencing any public or private project without prior consideration of the likely environmental effects.

3.1.9 Company and Allied Matters Act 2004

CAMA 2004 (as amended) regulates company formation and operation in Nigeria. It provides that no foreign company may carry on business in Nigeria unless it incorporates a local subsidiary in the country. The Minerals and Mining Act 2007 incorporates this by providing that no person shall be qualified for the grant of any mining title unless the person is a body corporate duly incorporated under CAMA 2004 (as amended).

3.1.10 Companies Income Tax Act 2004 (as amended)

Companies involved in mining activities are assessed to tax under the Companies Income Tax Act 2004 (as amended). The following taxes are required to be paid by a mining company:

- i) Company Income Tax
- ii) Education Tax
- iii) Value Added Tax
- iv) Capital Gains Tax.

However, sole proprietors and partnerships engaged in mining activities are liable to tax under the Personal Income Tax Act 2004 (as amended).

3.1.11 Nigerian Investment Promotion Council Act 2004

The NIPC Act 2004 was enacted to encourage and promote investment in the Nigerian economy, and for matters connected thereto. Section 29 (2) of the Minerals and Mining Act 2007 provides that the provisions of the NIPC Act 2004 shall apply to any foreign investment made in respect of any mineral title granted pursuant to this Act. By virtue of this, the provisions of the NIPC Act 2004 that apply to foreign investors, shall also apply to same who have made investments in respect of any mineral titles.

3.1.12 Revenue Mobilization Allocation and Fiscal Commission

Section 153 (1) of the 1999 Constitution of the Federal Republic of Nigeria provides for the establishment of the Revenue Mobilization Allocation and Fiscal Commission. The Commission derives its powers and constitutional functions from paragraph 32 of Part I of the Third Schedule to the 1999 Constitution. The Commission, accordingly, has been vested, constitutionally, with powers and responsibilities to monitor the accruals into and disbursement of revenue from the Federation Account, review from time to time, the revenue allocation formulae and principles in operation to ensure conformity with changing realities.

3.1.13 Other Legislations

Other important legislation that affects the mining industry in Nigeria includes; the Explosives Act 2004, the Nuclear Safety and Radiation Protection Act 2004, and the National Environmental Standards and Regulations Enforcement Agency (Establishment) Act 2007.

3.2 Institutional Framework

The regulatory government agencies include:

3.2.1 Ministry of Mines and Steels Development (MMSD)

The Ministry of Mines and Steels Development (MMSD) is an agency established by the Federal Government of Nigeria in 1995 to stimulate the growth of Nigeria's Solid Minerals Sector. The MMSD is responsible for identifying the nation's solid minerals, advising government on the formulation and execution of laws and regulations guiding the various stages of prospecting, quarrying, and mining; and handling sale and consumption of solid minerals in the country, through the issuance of Permits, Licenses, Leases and Collection of rents, Fees and Royalties.

Essentially, the Ministry is charged with the following responsibilities:

1. Formulating policy;
2. Providing information and knowledge to enhance investment in the sector;
3. Regulating operations in the solid minerals sector;
4. Generating appropriate revenue for the government;

3.2.2 Mining Cadastre Office (MCO)

The Minerals and Mining Act, 2007 establishes the MCO as an autonomous body saddled with the primary responsibility of efficient and effective administration and management of minerals titles in Nigeria in accordance with the Minerals and Mining Act 2007. There were a total of 4305 valid mineral titles in 2015 which comprised of: 204 MLs, 657 SSMLs, 1865 QLs and 1579 ELs.

The objectives of the MCO are:

- Promotion of the private sector investment in solid minerals sector;
- Improvement of the investment climate and attraction of foreign investors;
- Generation of appropriate revenue for the government;

3.2.3 Mines Inspectorate Department (MID)

For proper administration of the Minerals and Mining Act, 2007, the Mines Inspectorate department (MID) was established under the Ministry of Mines and Steel Development. The MID prescribes minimum annual work obligations for mineral title holders. Holders of Mineral title are required to submit to the MID for approval details of work to be carried out under the supervision of personnel from COMEG. In addition Mineral title holders are required to submit reports and obtain approval from MID when needed on the quantity and means of production.

3.2.4 Federal Inland Revenue Service (FIRS)

The Federal Inland Revenue Service (FIRS) is a federal tax authority and was created by the Companies Income Tax Act (CITA) of 1979 and now under the FIRS Establishment Act 2007.

The administration of taxation on the profits of incorporated companies is vested in the Federal Inland Revenue Service (FIRS) whose management board is known as the Federal Inland Revenue Service Board (FIRSB) (Sections 1-3 FIRS Establishment Act, 2007).

3.3 Licence Allocation

The extant law makes it an offence to engage in the search for or exploit mineral resources without a valid title. A total of 1230 new titles were issued in 2015; these comprised of: 455 ELs, 262 QLs, 193 SSMLs, 11 MLs and 309 RP. Out of the 11 MLs issued in the year three each were for the mining of Coal, Limestone and Iron while the other 2 were for Gold and related minerals mining.

There was no license transfer within the extractive companies in 2015. However, there was a consolidation by Dangote Industries Limited of seven (7) exploration licenses in 2015. There was no Change of License done in 2015. The guidelines for application for different mineral titles in Nigeria can be found on:

[http://www.miningcadastre.gov.ng/pages/pub/pdf/Guidelines for Mineral Title Applications.pdf](http://www.miningcadastre.gov.ng/pages/pub/pdf/Guidelines%20for%20Mineral%20Title%20Applications.pdf)

3.4 Register of licences

In compliance with Section 5(1) of the Mineral and Mining Acts 2007, MCO maintains a register of licences for all solid mineral titles in the country. This can be found on appendix 3

3.5 Contracts Disclosure

MCO was established by the Mining Act with the responsibility of administration and management of mineral titles in Nigeria. Licenses are granted according to the Guidelines on Mineral Titles Application and in respect of the principle of “first come, first served” for granting mining permits.

The mining legislation does not include any express restriction on the public disclosure of contracts and licenses by the Government and according to MCO there are no contracts governing exploitation in solid minerals.

However, Minerals and Mining Act (2007): Section 116 requires the mining leaseholder to conclude a Community Development Agreement (CDA) with the host community prior to starting any activity. This Agreement must ensure the transfer of social and economic benefits to the community and must address all or some of the following issues: educational scholarships, training and employment opportunities; financial or other type of support for infrastructure development and maintenance including education, health, community services, roads, water, power; assistance in creating small scale and micro enterprises; agricultural product marketing; methods and procedures for environment and socio-economic management for governance enhancement.

The Agreement is subject to review every 5 years and has a binding effect. It must specify appropriate consultative and monitoring mechanisms and dispositions on the ways in which the community will participate in the planning, training, etc of activities carried out under the Agreement.

3.6 Beneficial Ownership

The EITI standards require all implementing countries to publish their *Beneficial Ownership Roadmap* by January 2017 and commence full implementation by January 2020.

The roadmap unveiled by the Nigeria Extractive Industries Transparency Initiative (NEITI) on Beneficial Ownership disclosure outlined Nigeria's strategy towards the implementation and fulfillment of Requirement 2.5 of the EITI standard which among other things demands public disclosures of the real owners of oil, gas and mining companies that operate in Nigeria.

The roadmap identifies the institutional frameworks that are required for effective implementation of ownership transparency, provides comprehensive plans and actions designed to guide Nigeria in its implementation of beneficial ownership disclosure in the extractive industries.

The process adopted in the development of the roadmap was a consultative, robust and consistent with the multi-stakeholders approach of the Extractive Industries Transparency Initiative (EITI) which involves civil society, media, extractive companies, relevant government agencies and development partners.

Thirty seven companies provided information on beneficial ownership; details can be seen in appendix 1.

3.7 State Participation

There was no active government participation in the solid minerals sector. According to BPE, there was no transaction done for the year 2015. (See appendix 12).

4.0 Exploration and Production

Solid minerals contributed immensely to the economic development of Nigeria in the pre-independence years. During this period, Nigeria was known for the production of coal as an energy source for electricity, railways and also for export. Tin, columbite, lead and zinc were exported. The earnings from solid minerals were used to develop key social goods such as roads, education, hospitals etc. The decline of the solid minerals industry started as a result of the nationalization policy of the military government in the 1970s and got aggravated with the attendant oil boom at that time. Due to gross neglect, Nigeria subsequently turned mono product economy, highly susceptible to international oil politics. The neglect of the solid minerals industry also led to disorder in the minefields, resulting in widespread illegal mining activities characterized by inefficiencies, illicit trading of highly priced minerals, severe ecological degradation and huge loss of revenue to the government through smuggling and nonpayment of taxes.

4.1 Funding of the Solid Minerals Sector

The Federal Government of Nigeria, more than ever before, is now committed to diversifying the nation's economy; from dependence on oil revenue to non-oil revenues, including boosting of revenue from solid minerals. As part of its efforts to revive the sector, the Federal Executive Council (FEC) of the Federal Government of Nigeria approved an intervention fund of 30 Billion Naira on Wednesday 19/10/16 for the development of the solid minerals sector in order to galvanize exploration activities. A Solid Mineral Policy roadmap was launched in September 2016. The roadmap is aimed at ensuring policy continuity and consistency in the sector. Visit the link below for the Solid Mineral Roadmap.

http://www.minesandsteel.gov.ng/wpcontent/uploads/2016/09/Nigeria_Mining_Growth_Roadmap_Final.pdf

4.1.1 Nigeria Mineral Endowment: 2015 New Developments in Exploration and Exploitation of Solid Minerals

Nigeria is richly endowed with various types of mineral resources. Presently, there are over thirty-four mineral finds in commercial quantity spread across the entire country. Some key mineral resources include: gold, coal, bitumen, iron ore, tantalite/columbite, lead/zinc sulphides, barytes, cassiterite, gemstones, talc, feldspar and marble. In 2015 some mineral titles on which major exploration and exploitation are being carried out in Nigeria are shown in the table below.

Table 3: New Developments in Exploration and Exploitation of Solid Minerals

New Development in exploration and exploitation of Solid Minerals in 2015							
S/N	TITLE	TITLE HOLDERS	MINERAL	STATE	LGA	EFF DATE	EXP DATE
1	ML	Owukpa Consolidated Mines Ltd.	Coal	Benue/Kogi	Ogbadibo/Olamaboro	04/05/2015	03/05/2040
2	ML	Dangote Industries Limited	coal	Kogi	Ankpa	20/05/2015	19/05/2040
3	ML	Dangote Industries Limited	Limestone	Ogun	Ewekoro	26/05/2015	25/05/2040
4	ML	A.A.Y International	Gold	Niger	Borgu	27/05/2015	27/05/2040
5	ML	Cement Company of Northern Nigeria PLC.	Limestone	Sokoto	Wamako	16/04/2015	15/04/2040
6	SSML	Yabuda Dwara Nigeria Ltd	Lead, Zinc	Adamawa	Ganye	10/11/2015	09/11/2020
7	SSML	Alfash Trade Links	Gold	Zamfara	Maru	12/11/2015	11/11/2020
8	SSML	Chiata - AZ Fire Armour Ltd	Lead, Zinc	Benue	Logo	12/11/2015	11/11/2020
9	SSML	Orison Plus Ltd	Lead, Zinc	Taraba	Wukari	12/11/2015	11/11/2020
10	SSML	Xiamen Material Co. Nigeria Ltd	Columbite	Kwara	Irepodu	12/11/2015	11/11/2020
11	EL	Giant Cement Works Ltd	Limestone	Cross River	Akamkpa	13/01/2015	20/01/2018
12	EL	Indo Nig. Mining Co. Ltd.	Copper, Gold	Zamfara	Bukkuyum	13/01/2015	21/01/2018
13	EL	Goidel Resources Ltd.	Niobium,	Kano	Doguwa	02/02/2015	01/02/2018

Source: MCO, 2015

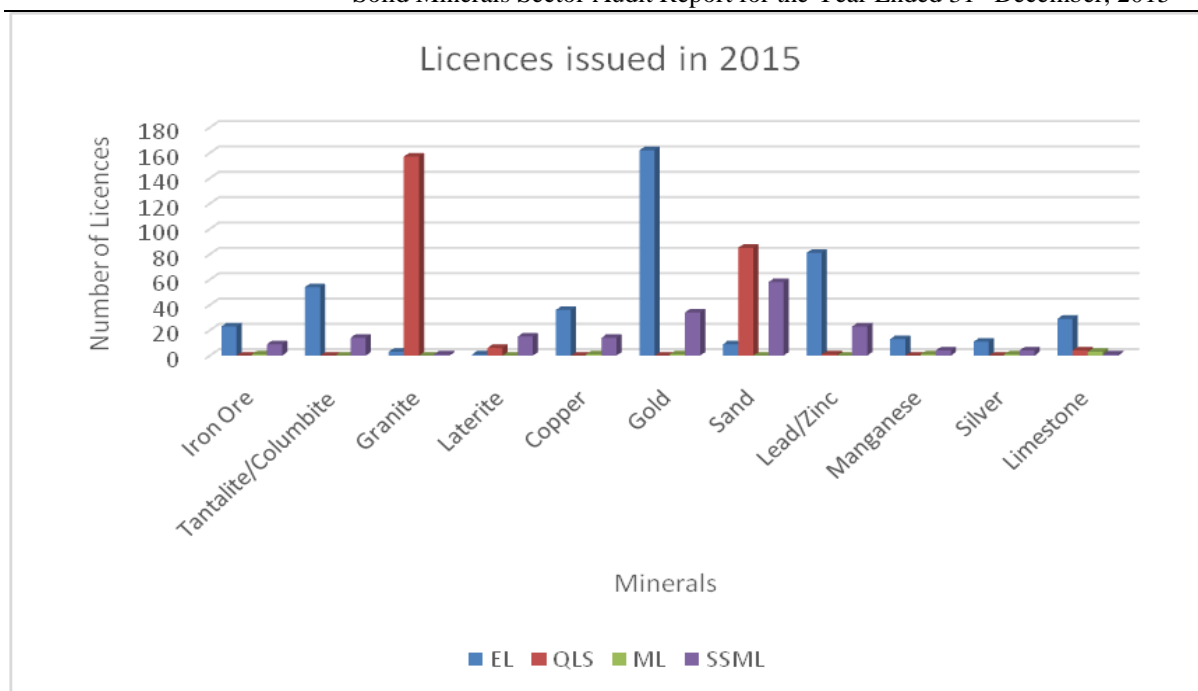


Figure 4: Mineral Titles Issued in 2015

Source: MCO

Gold: Gold is found in North West, North Central and South West of Nigeria. Gold deposits found in Northern Nigeria are most prominently near schist belt in Maru, Anka, Malele, Tsohon Birnin Gwari-Kwaga, Gurmana, Yauri, Dogondaji. In the South west it is found in Iperindo in Osun state. There are over ten sites holding reserves in excess of 50,000 ounces of high quality gold according to Thor Exploration Ltd, (2016). There are also a number of smaller occurrences beyond these major areas. At the time of this report, over 30 licenses have been issued to co-operative societies and companies for mining of gold in the country. In Nigeria, most of the concessions in the mining of gold are still in the exploration stage.

Table 4: Gold Licences issued in 2015

S/N	TITLE	CODE	TITLE HOLDERS	CU	MINERAL	STATE	LGA	EFF DATE	EXP DATE
1	ML	17414	A.A.Y International	56	Gold	Niger	Borgu	27/05/2015	27/05/2040
2	SSML	19174	Samparaco Nigeria Ltd	15	Gold	Taraba	Gashaka	16/04/2015	15/04/2020
3	SSML	19260	Prohtrip Resources Ltd	12	Gold	Edo	Akoko-Edo	13/02/2015	12/02/2020
4	SSML	19543	Kuchi One Investment Ltd	14	Gold	Zamfara	Anka	4/02/2015	03/02/2020
5	SSML	19810	Lamora BBK Mining Nigeria Ltd	15	Gold	Niger	Rafi	4/02/2015	03/02/2020
6	SSML	20199	Balsa ABS Nigeria Ltd	15	Gold	Kebbi	Gwandu	21/05/2015	20/05/2020
7	SSML	20531	Westfield Geotresures Ltd	15	Gold	Kwara	Baruteen	21/08/2015	20/08/2020
8	SSML	21143	Latisa (Nigeria) Enterprises	4	Gold	FCT	Gwagwalada	12/11/2015	11/11/2020
9	SSML	21178	Marple Gold Mining Company Ltd	12	Gold	Kwara	Pategi	10/11/2015	09/11/2020
10	SSML	21185	Marple Gold Mining Company Ltd	12	Gold	Kaduna	Birnin Gwari	10/11/2015	09/11/2020
11	SSML	21190	Contrive Nigeria Ltd.	12	Gold	Zamfara	Talatan Mafara	07/09/2015	06/09/2020
12	SSML	21359	Alfash Trade Links	3	Gold	Zamfara	Maru	12/11/2015	11/11/2020
13	SSML	21461	Contrive Nigeria Ltd	15	Gold	Zamfara	Maru	12/11/2015	11/11/2020

Source: MCO, 2015

Iron Ore: Nigeria currently has the 12th largest iron ore reserves in the world. There are over three (3) billion tons of iron ore found in Kogi, Enugu, Niger, Zamfara and Kaduna States. Iron ore deposits in Nigeria typically occur in forms such as hematite, magnetite, metasedimentary, band of ferruginous quartzites, sedimentary ores, limonite, maghemite, goethite and siderite. The Itakpe iron ore deposit has an estimated reserve of 310 M tons and Agbaja has about 500 M tons according to KCM (2014), Ajabanoko (60 Mtons), Agbado-okudu (60 Mtons), Tajimi (20 Mtons), Ochokocho (12 Mtons) among others.

Table 5: Iron Ore Licences issued in 2015

S/N	TITLE	CODE	TITLE HOLDERS	CU	MINERAL	STATE	LGA	EFF DATE	EXP DATE
1	ML	19574	African Natural Resources & Mines Ltd.	37	Iron Ore	Kogi	Kogi	25/02/2015	24/02/2040
2	ML	18416	Imurat International Ltd.	98	Iron Ore	Nasarawa	Toto	20/5/2015	19/05/2040
3	SSML	20160	Balsa ABS Nigeria Ltd	15	Iron Ore	Kebbi	Gwandu	21/05/2015	20/05/2020
4	SSML	20161	Balsa ABS Nigeria Ltd	15	Iron Ore	Kebbi	Aliero	21/05/2015	20/05/2020
5	SSML	20223	Skyblue Mines Resources Ltd	15	Iron Ore	Kaduna	Jama'a	21/05/2015	20/05/2020
6	SSML	21462	Lana Security & Investment Ltd	15	Iron Ore	Zamfara	Talatan Mafara	12/11/2015	11/11/2020
7	SSML	19914	Dic Materials Ltd	15	Iron Ore	Ondo	Akoko	25/07/2015	24/07/2020
8	SSML	19915	Dic Materials Ltd	6	Iron Ore	Ondo	Akoko	25/07/2015	24/07/2020
9	SSML	20314	Mohadib Ventures Limited	9	iron Ore	Kaduna	Giwa	25/07/2015	24/07/2020
10	SSML	18389	Gems & Minerals Ltd	15	Iron-Ore	Nasarawa	Kokona	16/04/2015	15/04/2020
11	SSML	20258	Emoh P. C. Integrated Services Ltd	8	Iron-Ore	Nasarawa	Nasarawa	16/04/2015	15/04/2020

Source: MCO, 2015

Lead-Zinc: Lead-zinc ores are found usually together and often associated with copper and silver. The minerals are found in commercial quantities along the Benue trough, extending from Abakiliki in the south-east through the middle Benue trough to upper Benue trough in Bauchi state.

Table 6: Lead-Zinc Licences issued in 2015

S/N	TITLE	CODE	TITLE HOLDERS	CU	MINERAL	STATE	LGA	EFF DATE	EXP DATE
1	SSML	19769	Altyrfa Ventures Nigeria Ltd	15	Lead / Zinc	Plateau	Wase	16/04/2015	15/04/2020
2	SSML	14013	Hernbro Nigeria Ltd	8	Lead, Zinc	Ebonyi	Ikwo	21/05/2015	20/05/2020
3	SSML	14223	Hernbro Nigeria Ltd	14	Lead, Zinc	Ebonyi	Ikwo	21/05/2015	20/05/2020
4	SSML	19164	Blessed Global Integrated Miners Ltd	9	Lead, Zinc	Bauchi	Warji	21/05/2015	20/05/2020
5	SSML	19478	Earth Treasure Mining & Exploration Co. Ltd	6	Lead, Zinc	Ebonyi	Ohaozara	16/04/2015	15/04/2020
6	SSML	19580	Bukuma Consultancy System Services Ltd	15	Lead, Zinc	Plateau	Wase	13/02/2015	12/02/2020
7	SSML	20547	Nippon Integrated Business Concept Ltd	15	Lead, Zinc	Plateau	Wase	27/5/2015	26/5/2020
8	SSML	20548	Nippon Integrated Business Concept Ltd	10	Lead, Zinc	Plateau	Wase	27/5/2015	26/5/2020
9	SSML	21314	Aquacrest International Ltd	4	Lead, Zinc	Benue	Logo	10/11/2015	09/11/2020
10	SSML	21318	Yabuda Dwara Nigeria Ltd	3	Lead, Zinc	Adamawa	Ganye	10/11/2015	09/11/2020
11	SSML	21375	Chiata - AZ Fire Armour Ltd	15	Lead, Zinc	Benue	Logo	12/11/2015	11/11/2020
12	SSML	21392	Orison Plus Ltd	15	Lead, Zinc	Taraba	Wukari	12/11/2015	11/11/2020
13	SSML	16044	S.B Olatunji Global Nigeria Limited	6	Lead/Zinc	Benue	Logo	25/7/2015	24/07/2020
14	SSML	19525	Altyrfa Ventures Nigeria Ltd	15	Lead/Zinc	Plateau	Wase	16/04/2015	15/04/2020
15	SSML	20018	Ogoani Investment Company Ltd	2	Lead/Zinc	Cross River	Ogoja	16/04/2015	15/04/2020
16	SSML	20961	Timkel Minerals Nigeria Ltd.	15	Lead/Zinc	Bauchi	Bauchi	07/09/2015	06/09/2020

Source: MCO, 2015

Limestone: Limestone occurrences are reported in over 30 States of the Federation with inferred reserves of over 2.3 trillion metric tons with 568 million tons of proven reserves. The largest and purest limestone deposits are found in the South West and North Central regions of the country. Most limestone mining activities are mainly for lime and cement production as evident across all the six geo-political zones in Nigeria.

Table 7: Limestone Licences issued in 2015

S/N	TITLE	CODE	TITLE HOLDERS	CU	MINERAL	STATE	LGA	EFF DATE	EXP DATE
1	SSML	19160	Otaru Mining Resources Nigeria Ltd	15	Limestone	Edo	Akoko Edo	07/09/2015	06/09/2020
2	QLS	19168	Procelainware Industries Ltd	12	Limestone	Ogun	Ewekoro	13/02/2015	12/02/2020
3	ML	20574	Dangote Industries Limited	148	Limestone	ogun	Ewekoro	26/05/2015	25/05/2040
4	ML	18257	CCNN PLC.	67	Limestone	Sokoto	Wamako	16/04/2015	15/04/2040
5	ML	18258	CCNN PLC.	69	Limestone	Sokoto	Wamako	16/04/2015	15/04/2040
6	QLS	19421	Salami Orogho & Sons Ltd	2	Limestone	Edo	Etsako North East	21/04/2015	20/04/2020

Source: MCO, 2015

Coal: Nigeria has bituminous Coal with low sulfur and ash content, as well as, environmental friendly and can be found in the north-east, north-central and south east regions of the country. There are nearly 3 billion tons of indicated reserves in 17 identified coalfields and over 600 million tons of proven reserves.

Table 8: Coal Licences issued in 2015

S/N	TITLE	CODE	TITLE HOLDERS	CU	MINERAL	STATE	LGA	EFF DATE	EXP DATE
1	ML	3250	Owukpa Consolidated Mines Ltd.	80	Coal	Benue/Kogi	Ogbadibo/Olamaboro	04/05/2015	03/05/2040
2	ML	20378	Dangote Industries Limited	222	coal	Kogi	Ankpa	20/05/2015	19/05/2040
3	ML	20379	Dangote Industries Limited	224	coal	Kogi	Ankpa	20/05/2015	19/05/2040

Source: MCO, 2015

Gypsum: Over two million tons of gypsum deposits are spread over many States in Nigeria. Active extraction of gypsum is ongoing in Tongo and funakaye area and supports cement production of Ashaka Cement Plc, Ashaka, Gombe State and Nothern Nigeria Cement Company, Sokoto. Current production is put at 8 million tons per annum while the national requirement is 9.6 million tons (MMSD, 2013). In 2015, exploration licences were granted as set out below:

Table 9: Gypsum Licences issued in 2015

S/N	TITLE	CODE	TITLE HOLDERS	CU	MINERAL	STATE	LGA	EFF DATE	EXP DATE
1	EL	19779	Knauf Drywall Nigeria Ltd	96	Gypsum	Edo	Owan-West	16/04/2015	15/04/2018
2	EL	19780	Knauf Drywall Nigeria Ltd	81	Gypsum	Ogun	Egbado-North	16/04/2015	15/04/2018
3	EL	19302	Unique El-Mao Nig. Ltd	192	Gypsum	Nasarawa	Doma	4/02/2015	03/02/2018
4	EL	21102	Spidem Nigeria Ltd	252	Gypsum	Kogi	Ibaji	06/10/2015	05/10/2018
5	EL	20985	Spidem Nigeria Ltd	48	Gypsum	Kogi	Igala Mela, Odolu	06/10/2015	05/10/2018
6	EL	21286	OK-TO-GOD LTD	247	Gypsum	Enugu, Kogi	Uzo-Uwani, Igala Mela	06/10/2015	05/10/2018
7	EL	20570	Barema Nigeria Ltd	108	Gypsum	Yobe	Fune	25/05/2015	24/05/2018
8	EL	20444	Swap Multi Dynamics Ltd	240	Gypsum	Kebbi	Fakai	25/05/2015	24/05/2018

Source: MCO, 2015

Granite Aggregates, Dimension Stones and Sand Quarrying: As at December 2015, there were over 100 companies involved in the quarrying sector (MCO, 2016). Over 90% of the revenue accrued to the government in terms of royalties and other fees on minerals comes from quarrying operations (MMSD, 2016). Most of the quarrying companies supply quarry dust and sharp sand to the local construction industry and in recent years, have begun supplying clay, laterite, and shale among others to local cement manufacturers. A new development in quarry operation is dimension stone quarry for the production of granite and marble blocks, tiles and slabs.

Table 10: Granite Licences issued in 2015

S/N	TITLE	CODE	TITLE HOLDERS	CU	MINERAL	STATE	LGA	EFF DATE	EXP DATE
1	QLS	20422	Naphta Investments Ltd	1	Granite	Kwara	Asa	10/7/2015	9/7/2020
2	QLS	13539	Climax Industries Ltd	4	Granite	Ebonyi	Ishielu	25/05/2015	24/05/2020
3	QLS	17389	Global Exploration & Mining Services Ltd	2	Granite	Nasarawa	Karu	25/05/2015	24/05/2020
4	QLS	20566	Seftel Mines & Quarries Ltd	9	Granite	Katsina	Batagarawa	25/05/2015	24/05/2020
5	SSML	15818	Agemek Nigeria Ltd	1	Granite	Ebonyi	Afikpo North	25/5/2015	24/5/2020
6	SSML	19795	Ahaji Mamman Zubairu	1	Granite	Kano	Rimin Gado	25/7/2015	24/07/2020

Source: MCO, 2015

Table 11: Sand Licences issued in 2015

S/N	TITLE	CODE	TITLE HOLDERS	CU	MINERAL	STATE	LGA	EFF DATE	EXP DATE
1	QLS	20944	Tabium Printers Nigeria Ltd	9	Sand	Niger	Gurara	07/09/2015	06/09/2020
2	QLS	20601	Dangote Oil Refining Company Ltd	25	Sand	Lagos	Ibeju Lekki	07/09/2015	06/09/2020
3	QL	18786	Ivuvu Investment Ltd.	1	Sand	Kaduna	Kagarko	27/11/2014	26/11/2019
4	QLS	19582	Adimex Ventures Ltd(payment)	8	Sand	Nasarawa	Kokona	13/02/2015	12/02/2020
5	QLS	21104	Foade International (Nig) Ltd	1	Sand	Lagos	Amuwo Odofin	23/10/2015	22/10/2020
6	QLS	21106	Lloyd and Sotheby Ltd	1	Sand	Lagos	Ojo	23/10/2015	22/10/2020
7	QLS	21261	Oretol Nigeria Ltd	4	Sand	Lagos	Eti-Osa	23/10/2015	22/10/2020
8	QLS	19592	Manistel Integrated Services Nigeria Ltd	1	Sand	Enugu	Enugu South	12/11/2015	11/11/2020
9	QLS	20807	Gem Investment Ltd	2	Sand	Kaduna	Kachia	12/11/2015	11/11/2020
10	QLS	21600	Blueview Engineering Nigeria Ltd	8	Sand	Abia	Obioma Ngwa	12/11/2015	11/11/2020
11	QLS	17415	Asonwa Ezediunor I.	2	Sand	Delta	Oshimili North	04/02/2015	03/02/2020
12	QLS	19542	Debi Petroleum and Company Limited	4	Sand	Imo	Owerri	04/02/2015	03/02/2020
13	QLS	12890	Kudos Concrete Industries Nig. Ltd	5	Sand	Ogun	Ado-Odo/Ota	06/0/2015	05/01/2020
14	QLS	14164	Yahaya Ibrahim Bello	2	Sand	Kano	Kura Dawakin Kudu	10/07/2015	09/07/2020
15	QLS	17395	Ba Maraya Sai Rago Quarry Co-operative Society	3	Sand	Katsina	Bataga Rawa	13/02/2015	12/02/2015
16	QLS	19658	Deo Resources Ltd.	2	Sand	Nasarawa	Karu	13/02/2015	12/02/2020
17	QLS	19927	Konaza Oil and Gas Limited	5	Sand	Anambra	Anambra East	21/04/2015	20/04/2020
18	QLS	19940	Trempace Limited	2	Sand	Edo	Ovia North East	21/04/2015	20/04/2020
19	QL	20954	Tes Teqnickal Concepts Ltd.	24	Sand	Rivers	Andoni/Gokana	21/8/2015	20/8/2020
20	QLS	19451	Harmony Business Associates (Nig) Ltd	25	Sand	Ondo	Ilaje	4/02/2015	03/02/2020
21	SSML	19468	Muhammed Waziri	2	Sand	Nasarawa	Karu	13/02/2015	12/02/2020
22	SSML	19496	Nagarta Blocks Ind. Ltd	3	Sand	Kaduna	Giwa	16/04/2015	15/04/2020
23	SSML	20793	Denny Consulting Engineering Ltd	3	Sand	FCT	Abuja	25/07/2015	24/07/2020
24	SSML	21149	Nsugbe Sand Dealers MPSC Ltd	4	Sand	Anambra	Anambra East	10/11/2015	09/11/2020
25	SSML	21207	Nura Bako	2	Sand	Kano	Dawakin Kudu	10/11/2015	09/11/2020

Source: MCO, 2015

Table 12: Marble Licences issued in 2015

S/N	TITLE	CODE	TITLE HOLDERS	CU	MINERAL	STATE	LGA	EFF DATE	EXP DATE
1	QLS	19237	Prohtrip Resources Ltd	16	Marble	Edo	Akoko Edo	4/02/2015	03/02/2020
2	EL	18795	Spidem Nig. Ltd.	48	Marble	Kogi	Ijumu	11/03/2015	10/03/2018
3	EL	20537	Franz Mineral Resources Ltd	754	Marble	Cross River	Etung	25/05/2015	24/05/2018

Source: MCO, 2015

For full details of licences issued during the year 2015, see **Appendix 3**.

It is pertinent to note that, though valid licences on various minerals such as Gold, Copper, Columbite, Iron, Kaolin, Gemstones among others exist, there is however, no record of revenue contribution from such minerals; where it exists, it is usually very insignificant. The extraction of these minerals is mostly controlled by the ASMs.

4.2 Production

Production data is based on minerals used/sold which are the basis for royalty payments. During the year, 2015, the total volume/quantity of actual production was 30,520,114.59 tonne and the total volume/quantity used or sold was 39,272,590.75. The difference between the actual production and production quantity used/sold is attributed to the addition of opening stock to actual production for the year and under declaration of actual production by some companies. Solid Minerals production (Quantity used/sold) by States is set out in table 13. The production of solid minerals by types, market price, Market value and Royalty paid is presented in table 14 and represented by pie chart below. On the other hand, table 15 and figure 7 compared 2014 Solid Minerals used with those of 2015.

Table 13: Solid Minerals Production (Quantity Used/Sold) by States

S/N	State	Total Production Used/Sold (Tons)	Value of Production Used/Sold (Naira)	Royalties on Qty Used/Sold (Naira)	% of Royalty
1	Ogun	13,754,245.59	8,359,493,931.33	415,688,410.31	32.81
2	Kogi	8,577,863.36	4,130,208,513.02	205,380,831.08	16.21
3	Cross River	3,120,454.89	2,159,688,966.48	107,393,782.52	8.48
4	FCT	2,212,677.43	2,097,923,617.79	99,929,921.03	7.89
5	Oyo	1,064,531.51	1,127,643,335.52	56,073,761.09	4.43
6	Gombe	1,190,447.33	1,049,074,849.14	52,166,824.92	4.12
7	Ebonyi	1,381,315.95	968,161,441.24	48,143,284.00	3.80
8	Delta	1,259,629.55	910,489,460.38	45,275,458.00	3.57
9	Edo	882,769.22	846,736,482.98	42,105,245.30	3.32
10	Ondo	542,209.29	568,054,451.43	28,247,362.08	2.23
11	Lagos	863,298.96	512,041,402.18	25,462,028.95	2.01
12	Sokoto	607,043.00	347,444,089.80	17,277,180.00	1.36
13	Abia	433,583.49	311,723,380.54	15,500,914.00	1.22
14	Benue	379,533.16	212,577,983.60	10,570,760.00	0.83
15	Akwa-Ibom	409,447.00	158,744,519.10	7,893,810.00	0.62
16	Nasarawa	278,421.58	158,031,416.49	7,858,349.90	0.62
17	Niger	365,884.77	147,040,991.80	7,311,834.50	0.58
18	Ekiti	130,269.88	144,824,578.20	7,201,620.00	0.57
19	Zamfara	146,813.06	143,439,153.85	7,132,727.69	0.56
20	Kaduna	265,114.19	143,370,122.45	7,129,295.00	0.56
21	Bauchi	54,971.77	139,551,535.10	6,939,410.00	0.55
22	Plateau	109,164.63	111,986,436.34	6,147,221.88	0.49
23	Anambra	133,318.00	105,497,060.00	5,246,000.00	0.41
24	Kano	173,790.56	99,896,344.56	4,967,496.00	0.39
25	Rivers	197,225.00	92,596,495.00	4,604,500.00	0.36
26	Kwara	99,824.86	88,384,978.36	4,395,076.00	0.35
27	Osun	102,471.02	85,608,270.00	4,257,000.00	0.34
28	Jigawa	152,825.30	84,398,995.37	4,196,867.00	0.33
29	Imo	82,084.00	62,542,100.00	3,110,000.00	0.25
30	Taraba	105,135.83	53,117,045.75	2,641,325.00	0.21
31	Katsina	59,473.72	44,448,049.07	2,210,246.10	0.17
32	Kebbi	21,393.18	34,595,534.65	1,720,315.00	0.14
33	Bayelsa	75,000.00	30,165,000.00	1,500,000.00	0.12
34	Adamawa	21,193.00	18,645,348.48	927,168.00	0.07
35	Enugu	16,500.00	6,033,000.00	300,000.00	0.02
36	Yobe	2,666.67	4,022,000.00	200,000.00	0.02
37	Borno	-	-	-	-
Total		39,272,590.75	25,558,200,880.00	1,267,106,025.35	100.00

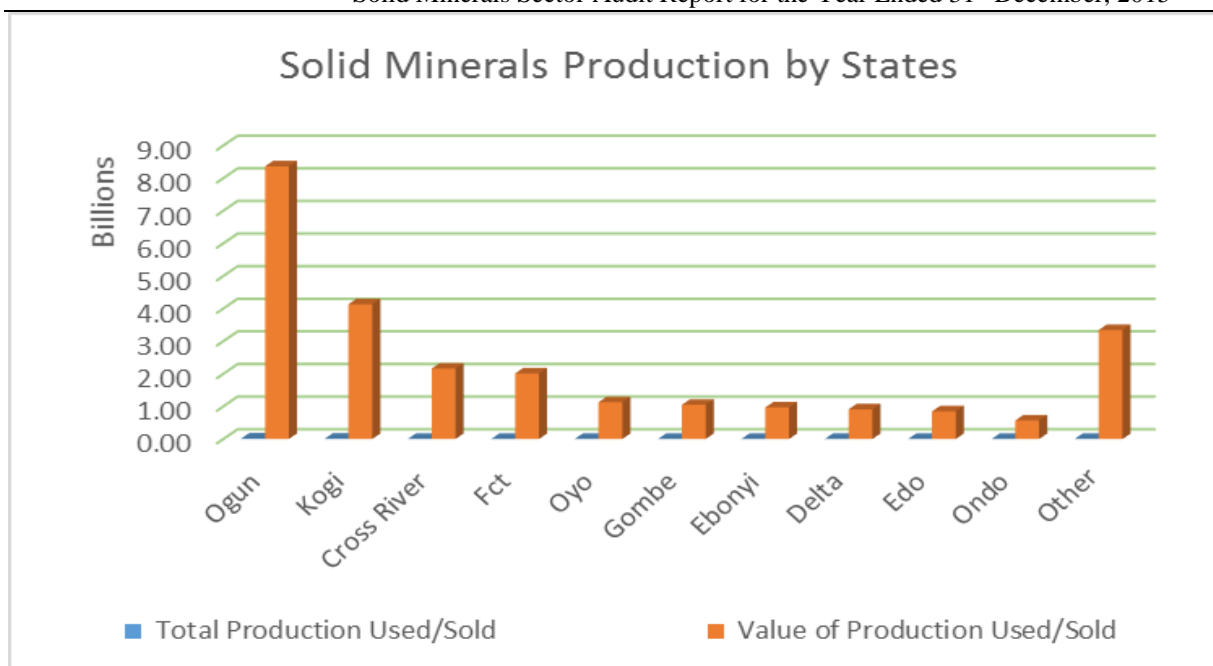


Figure 5: Solid Minerals Production by States

For the details of each state's production by volume and value, see **Appendix 11**.

Table 14: Solid Minerals Production (Used/Sold), 2015 by Mineral Type

S/N	Minerals	Total Quantity Used (Tons) Jan - April	Total Quantity Used (Tons) May - Dec	Market Price (₦)	Market Value (₦)	Ad Volorem (%)	Royalty Paid (₦)
1	Granite	4,352,955.32	2,015,236.78	800.00	3,482,364,255.93	5	174,118,212.80
				1,500.00	3,022,855,167.07	5	151,142,758.35
2	Dust	1,906,104.42	2,109,761.96	400.00	762,441,768.00	5	38,122,088.40
				750.00	1,582,321,470.00	5	79,116,073.50
3	Limestone	8,174,608.32	13,280,357.71	500.00	4,087,304,160.00	5	204,365,208.00
				600.00	7,968,214,626.00	5	398,410,731.30
4	Laterite	509,154.33	1,868,820.98	300.00	152,746,299.00	5	7,637,314.95
				600.00	1,121,292,588.00	5	56,064,629.40
5	Sand	398,599.11	1,609,435.89	400.00	159,439,644.00	5	7,971,982.20
				800.00	1,287,548,712.00	5	64,377,435.60
6	Shale	211,657.98	864,211.72	200.00	42,331,596.00	5	2,116,579.80
				500.00	432,105,860.00	5	21,605,293.00
7	Red-alluvium	376.22	2,897.28	300.00	112,866.00	5	5,643.30
				500.00	1,448,640.00	5	72,432.00
8	Marl	98,723.31	496,320.27	200.00	19,744,662.00	5	987,233.10
				500.00	248,160,135.00	5	12,408,006.75
9	Coal	39,245.43	82,070.57	1,500.00	58,868,145.00	3	1,766,044.35
				2,500.00	205,176,425.00	3	6,155,292.75
10	Clay	434,817.88	743,250.85	200.00	86,963,576.00	5	4,348,178.80
				400.00	297,300,340.00	5	14,865,017.00
11	Gypsum	12,389.13	22,231.54	4,000.00	49,556,520.00	5	2,477,826.00
				5,000.00	111,157,700.00	5	5,557,885.00
12	Feldspar	1,030.81	12,207.19	2,000.00	2,061,620.00	5	103,081.00
				3,000.00	36,621,570.00	5	1,831,078.50
13	Kaolin	8,401.57	16,878.43	2,000.00	16,803,140.00	5	840,157.00
				2,500.00	42,196,075.00	5	2,109,803.75
14	Wolframite	52.44		500.00	26,220.00	3	786.60
15	Columbite	185.92	103.00	150,000.00	27,888,000.00	3	836,640.00
				400,000.00	41,200,000.00	3	1,236,000.00
16	Tin	363.37	109.17	180,000.00	65,406,600.00	3	1,962,198.00
				250,000.00	27,292,500.00	3	818,775.00
17	Tantalite	31.85		3,744,113.03	119,250,000.00	3	3,577,500.00
	Total	16,148,697.41	23,123,893.34		25,558,200,880.00		1,267,007,886.20

39,272,590.75

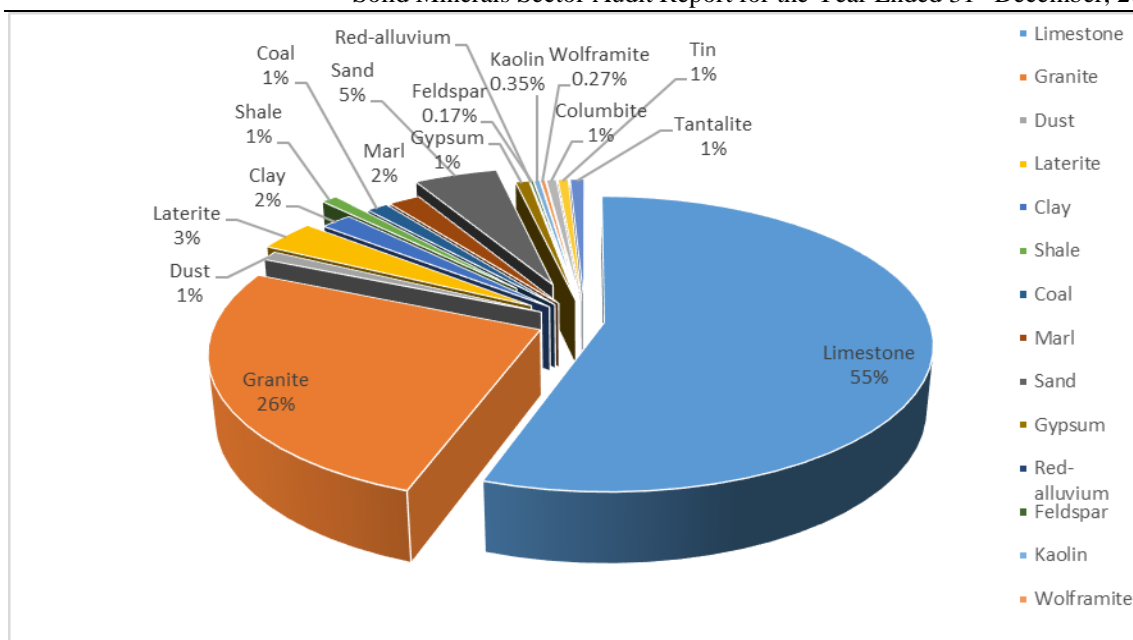


Figure 6: Solid Minerals Production, 2015 by types

Table 15: Comparison of Solid Minerals Used in 2014 and 2015

S/N	Minerals	Total Quantity Used (Tons) 2015	Total Quantity Used (Tons) 2014	% Change
1	Granite	6,368,192.10	13,274,186.35	(52.03)
2	Limestone	21,454,966.03	25,652,279.24	(16.36)
3	Laterite	2,377,975.31	3,802,120.27	(37.46)
4	Sand	2,008,035.00	767,900.05	161.50
5	Shale	1,075,869.70	812,509.59	32.41
6	Red-alluvium	3,273.50	80,550.00	(95.94)
7	Marl	595,043.58	673,361.23	(11.63)
8	Coal	121,316.00	127,466.66	(4.83)
9	Clay	1,178,068.73	1,750,718.45	(32.71)
10	Others	4,089,850.80	146,135.74	2,698.67
	Total	39,272,590.75	47,087,227.58	(16.60)

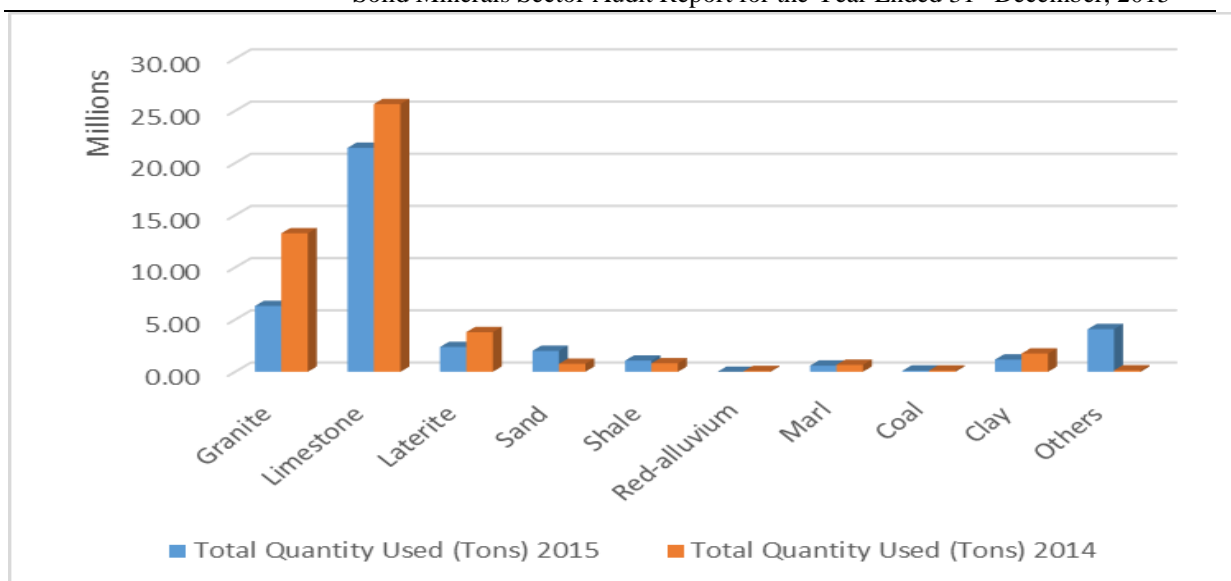


Figure 7: Solid Minerals Used, 2014 & 2015 (Compared)

4.3 Export

The value of solid minerals exported during the year under review (based on FOB value) was ₦1,941,726,218.25 (i.e, USD 9,732,963.50 converted to Naira at 2015 CBN closing average rate of ₦199.5/\$). The summary of the export by type of minerals is set out below. Export data is based on submission from CBN and NCS.

Table 16: Solid Minerals Export, 2015

S/N	MINERALS	GROSS WEIGHT (MT)	NESS FEE ADMIN.	FOB VALUE USD	% of FOB Values
1	Lead	16,144.80	721,371.18	7,749,315.35	79.62
2	Copper	125.00	1,665.58	17,000.00	0.17
3	Zinc	3,311.20	82,224.88	830,307.94	8.53
4	Columbite	776.10	50,678.98	503,836.88	5.18
5	Zircon	1,824.50	40,033.29	406,653.73	4.18
7	Manganese ore	1,296.00	8,171.38	83,160.00	0.85
8	Tin ores	50.50	2,038.40	20,189.60	0.21
	Total in (MT)	23,528.10	906,183.69	9,610,463.50	98.74
	Gold Ore and Concentrates (Ounces)	175	12,005.00	122,500.00	1.26
	Total		918,188.69	9,732,963.50	100.00

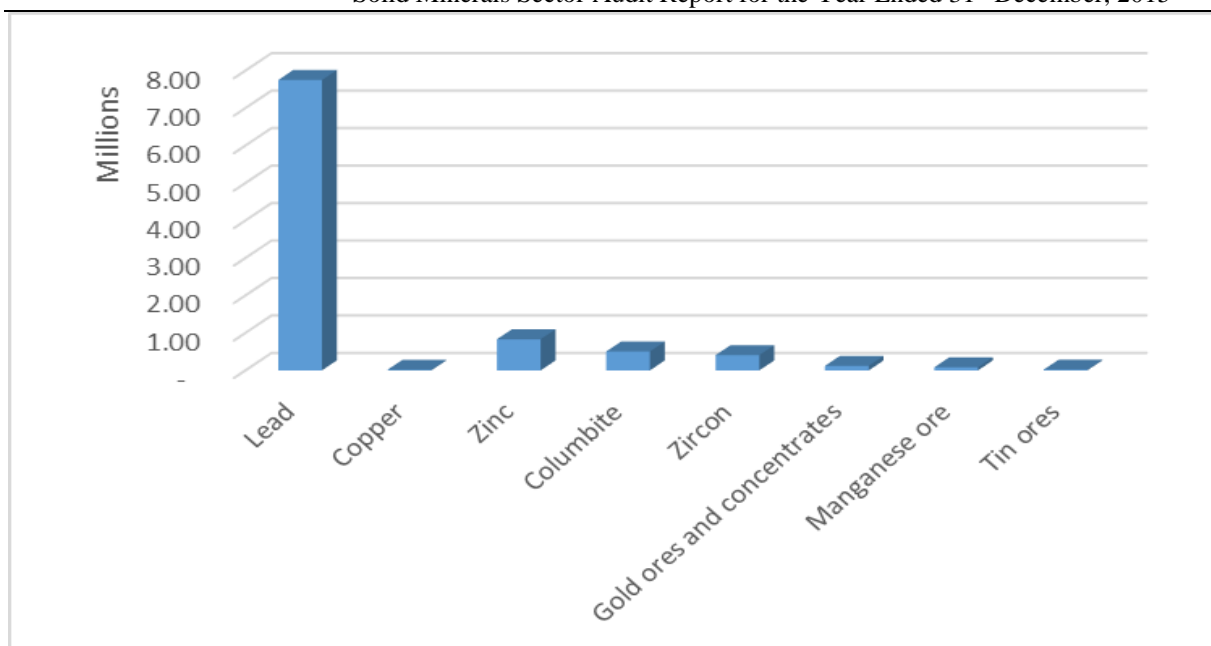


Figure 8: Solid Minerals Export based on FOB Value

The detailed breakdown of export by product type, country volume and value is as shown in **Appendix 4**.

Table 16a: % Change of FOB Value in 2015 and that of 2014 FOB value

S/N	MINERALS	FOB VALUE USD 2015	FOB VALUE USD 2014	% CHANGE
1	Lead and Zinc ore	8,579,623.29	23,561,886.63	(63.59)
2	Copper	17,000.00	466,568.90	(96.36)
3	Columbite	503,836.88	721,806.60	(30.20)
4	Zircon	406,653.73	207,176.59	96.28
5	Gold ores and concentrates	122,500.00	600,000.00	(79.58)
6	Manganese ore	83,160.00	27,275.55	204.89
7	Tin ores	20,189.60	27,458.80	(26.47)
8	Crude Mica		245,420.80	(100.00)
9	Barite		113,520.00	(100.00)
10	Beryl Ore		67,200.00	(100.00)
11	Quartz Ore		45,000.00	(100.00)
12	Tantalite		20,000.00	(100.00)
13	Kaolin		11,518.00	(100.00)
14	Monozite Sand		9,880.00	(100.00)
15	Calcium Carbonate		6,000.00	(100.00)
16	Granite Block		5,760.00	(100.00)
	TOTAL	9,732,963.50	26,136,471.87	(62.76)

Table 16b: % Change of 2015 Gross weight (Tons/Ounces) and 2014 Gross weight (Tons/Ounces)

S/N	MINERALS	2015 GROSS WEIGHT (TONS)	2014 GROSS WEIGHT	% CHANGE
1	Lead and Zinc Ore	19,456.00	67,164.02	(71.03)
2	Columbite	776.10	960	(19.16)
3	Copper Ore	125.00	773.8	(83.85)
4	Crude Mica		1,076.90	(100.00)
5	Zircon Sand	1,824.50	1,034.00	76.45
6	Barite		550	(100.00)
7	Beryl Ore		52	(100.00)
8	Quartz Ore		100	(100.00)
9	Tin Ore	50.50	68.7	(26.49)
10	Maganese Ore	1,296.00	183	608.20
11	Tantalite		20	(100.00)
12	Kaolin		90	(100.00)
13	Monozite Sand		104	(100.00)
14	Calcium Carbonate		50	(100.00)
15	Granite Block		18	(100.00)
16	Total in tons	23,528.10	72,244.42	-67.43
	Gold Ore & Concentrate (ounces)	175.00	500.00	(65.00)

5.0 Revenue Collection

The Revenues generated from the solid minerals sector are paid into the Federation Account and shared by the three tiers of government. The Federation Account was established by section 162 of the 1999 Constitution of the Federal Republic of Nigeria. Taxes generated from the sector may not be easily determined because of the absence of a sector specific fiscal regime.

All revenue not specifically designated as funds for the Federation Account, goes in to the CRF. The CRF was established by Section 80 of the 1999 Constitution of the Federal Republic of Nigeria.

5.1 Comprehensive Disclosure of Taxes and revenue

Financial flows to the Federation from the Solid Minerals sector captured by the EITI reconciliation are set out in this section. In addition, companies make payments to government (Federal, States and local Government) which are not sector specific – e.g. VAT, PAYE. These payments are also set out in this section.

In summary, the financial flows to the Federation during the period from the Solid Minerals sector, as reported by the companies participating in the EITI reconciliation exercise and, to the extent described in the report, confirmed by the appropriate Government agencies, were:-

Table 17: Declared Revenue by Companies and Government

Payment Streams	Declared Company Revenue (NGN)	Declared Government Revenue (NGN)	Variation
FIRS	59,824,707,996.21	62,593,745,344.23	2,769,037,348.02
MID	1,111,510,371.83	1,111,778,510.98	268,139.15
MCO	125,517,500.00	125,647,500.00	130,000.00
Unilateral Disclosure by reporting Companies*	4,736,884,784.32	-	(4,736,884,784.32)
Unilateral Disclosure by Government Agencies*	-	632,448,623.37	632,448,623.37
Total	65,798,620,652.36	64,463,619,978.58	(1,335,000,673.78)

*Unilateral disclosures are not subject to reconciliation.

Unilateral disclosures are payments made by extractive companies and received by government. Such payments and receipts do not fall within the threshold established by NSWG. Equal to or greater than (\geq) 3 million Naira of Royalty payment was the approved threshold for 2015. These unilateral disclosures were however, not reconciled by the reconcilers.

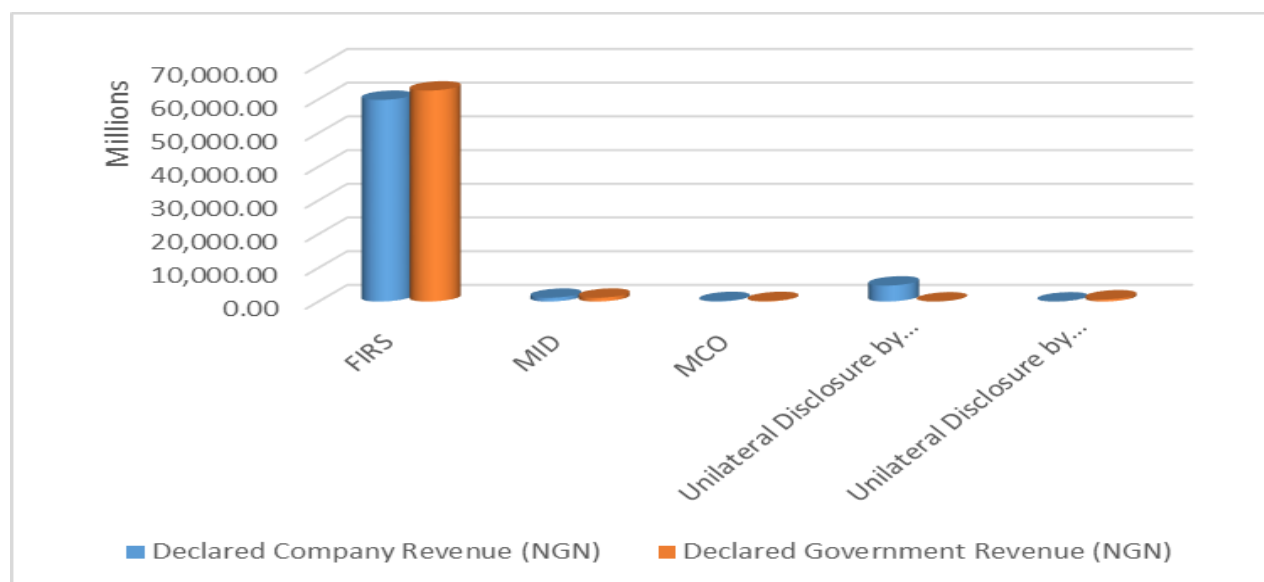


Figure 9: Declared Revenue by Companies and Government

Table 18: Unilateral disclosures of revenue by the extractive companies

Payment flows	Amount (NGN)
Nigeria Custom Service	2,578,343.00
Federal Ministry of Environment	7,397,500.00
Artisanal and Small-Scale Mining Department	50,000.00
SBIR	4,546,659,666.96
LGA	92,537,198.20
Community/Landowners	83,353,576.16
Federal Ministry of Trade & Investment	4,308,500.00
Total Unilateral Company Disclosure	4,736,884,784.32

Table 19: Unilateral Disclosures by Government Entities

Government Agencies	Amount (NGN)
MID (Royalty & fees below Threshold)	203,222,123.37
MCO (Annual service fees and renewals)	429,226,500.00
Total Solid Minerals Sector	632,448,623.37

5.1.1 Financial flows to the Federation

Below is the summary of reconciled revenue collected by government entities, excluding Unilateral Disclosures by Government agencies.

Table 20: Total confirmed receipts by government for 2015.

Government Agencies	Declared Government Revenue (NGN)	% of Total Revenue
FIRS	62,593,745,344.23	98.06
MID	1,111,778,510.98	1.74
MCO	125,647,500.00	0.20
Total Solid Mineral Sector	63,831,171,355.21	100.00

5.1.2 Comparison of initial companies' templates with initial Government template

The initial templates submitted by the companies and Government were analysed and the result is as set out below:

Table 21: Comparison of initial companies' templates with initial Government template

INITIAL TEMPLATE (NGN)				
S/N	Type of Payments/Receipts	Company	Government	Difference
		(a)	(b)	(c) = (b - a)
1	VAT	23,270,774,988.84	32,851,491,914.15	9,580,716,925.31
2	CIT	9,858,364,134.09	16,004,390,554.63	6,146,026,420.54
3	EDT	1,664,180,702.62	4,493,118,698.39	2,828,937,995.77
4	WHT	8,190,933,432.44	9,244,744,177.06	1,053,810,744.62
5	Others PAYE (FCT)	251,474,783.89	-	(251,474,783.89)
	SUB-TOTAL	43,235,728,041.88	62,593,745,344.23	19,358,017,302.35
	MCO			
6	Mining titles(s) application processing fee	270,000.00	-	(270,000.00)
7	Mining titles(s) annual service fees	29,040,500.00	105,927,500.00	76,887,000.00
8	Mining title(s) fee for processing of renewal application	810,000.00	1,680,000.00	870,000.00
9	Penalty fee for late renewal of mining titles(Application)	300,000.00	200,000.00	(100,000.00)
10	Application for transfer mining titles fees	-	-	-
11	Application for relinquishment of mining title fees	110,000.00	-	(110,000.00)
	SUB-TOTAL	30,530,500.00	107,807,500.00	77,277,000.00
	MID			
12	Royalty	824,369,706.78	1,037,089,033.78	212,719,327.00
13	Blasting certificates	870,000.00	1,210,000.00	340,000.00
14	Permit to erect a magazine	200,000.00	200,000.00	-
15	Permit to mix ANFO	100,000.00	500,000.00	400,000.00
16	Licence to buy explosives	470,000.00	790,000.00	320,000.00
17	Explosives magazine licence	4,330,000.00	5,850,000.00	1,520,000.00
18	Permit to export minerals for commercial purposes	100,000.00	90,000.00	(10,000.00)
19	Others	10,000.00	50,000.00	40,000.00
	SUB-TOTAL	830,449,706.78	1,045,779,033.78	215,329,327.00
	TOTAL PAYMENTS/RECEIPTS	44,096,708,248.66	63,747,331,878.01	19,650,623,629.35

A comparison of the initial template submitted by the covered extractive companies and government entities resulted in a difference of ₦19,650,623,629.35 before reconciliation exercise.

5.2 Sale of the State Share of Production or Other Revenue Collected in Kind

There were no sale of the state share of production or other revenues collected in kind during the year 2015 as there was no state participation in the sector during the year.

5.3 Infrastructure Provision and Barter Arrangements

In compliance with EITI Requirement 4.3 – *Infrastructure provisions and barter arrangements*, there were no arrangements in respect of Infrastructure and barter agreements during the year.

5.4 Transportation Revenues

No revenue from transportation of solid minerals accrued to the government and state-owned enterprises during the year.

5.5 Transaction Related to State-owned Enterprises

There were no transactions in respect of state-owned enterprises as there was no state participation in year 2015.

5.6 Sub-National Payments

Financial flows in respect of payments and receipts from the SBIR and Local Governments, includes the following:

Table 22: Sub-National Payments

S/N	Revenue Flows	Responsible Government Entity	Disclosure Responsibility	
			Extractive Companies	Government Entity
1	Annual surface rents (Grounds Rents)	State Board of Internal Revenue	17,897,060	N/A
2	National Inland Water Ways Authority (NIWA)		26,158,000	N/A
3	Pay As You Earn (PAYE)		4,249,764,595	N/A
4	Business Premises		505,000	N/A
5	Development Levy		100,000	N/A
6	Withholding Tax		253,235,212	N/A
7	Property Rates	Local Government Council	92,537,198	N/A
	Total		4,640,197,065	

5.7 Data disaggregation, timeliness and quality

Data have been disaggregated where possible and presented by individual companies, government entities and revenue streams in accordance with EITI Requirement 4.7. Unless otherwise stated, all figures are presented in Naira.

The usefulness of this report has been enhanced by a timely production of this report. However, in producing this report, we ensured that there is a balance between timeliness and reliability of the information contained therein.

We planned and performed our audit in accordance with ISRSs. We obtained all the information and explanations which we considered necessary to provide sufficient appropriate evidence to give reasonable assurance that the data provided are free from material misstatement.

Specifically, to ensure compliance with EITI Requirement 4.9 (2016), and satisfy ourselves that the data submitted for the audit exercise is credible, we organized validation meetings with the extractive companies and government entities covered in the audit. During these meetings, the covered entities were made to produce the original receipts and other related supporting documents/records for sighting with a view to confirming accuracy of the amounts declared and there was also a signed off between the extractive companies officials, the government agencies representative and the reconcilers to authenticate the completeness and correctness of the data.

6.0 Revenue Allocations

Revenue allocation of government is the distribution of the revenue that accrued to the government based on agreed revenue allocation principles and formula.

The National Budget is prepared in line with the National Chart of Account which includes income from solid minerals sector. This is in compliance with the International Public Sector Accounting Standards (IPSAS) chart of account. This helps in achieving a purposeful driven budget with the platform for monitoring, evaluation and performance analysis. This conforms to international benchmarks for budgeting (World Bank and International Monetary Fund).

6.1 Sub-National Transfers

Section 162 of the 1999 Constitution of the Federal Republic of Nigeria established the Federation Account. The Federation Account is a distributable pool account from which allocations are made to the Federal, State and Local Governments. All revenue collected by the Government of the Federation, except the proceeds from the PAYE of the personnel of the Armed Forces of the Federation, the Nigeria Police Force, Foreign Service Officers and Residents of the Federal Capital Territory, Abuja (which are paid into the CRF) are paid into the Federation Account. The current revenue allocation formula for non-mineral revenue is as follows:

▪ Federal Government	52.68%
▪ State Government	26.72%
▪ Local Government	20.60%

Section 162 of the 1999 Constitution also provided that, as a first line charge, an amount of not less than 13% accruing to the Federation Account directly from any natural resources shall be distributed to beneficiaries on the principle of derivation.

Mineral Revenue Sharing Formula:

▪ Federal Government	45.8316%
▪ State Government	23.2464%
▪ Local Government	17.9220%
▪ 13% Derivation	13.0000%

There has been no sharing of the funds from the Solid Minerals sector since the last sharing in July, 2016. The reason was that FAAC needs to identify where the revenues are generated from i.e, the mining site and state.

6.2 Revenue Management and expenditure

In order to have a consistent and robust revenue and expenditure management, different policies and approaches had been adopted to ensure sustainability of the nation's economy. In view of this, the Medium-Term Expenditure Framework (MTEF) and the Medium-Term Sector Strategies (MTSS) were incorporated into the budgeting process of the nation. Section 11 of the Fiscal Responsibility Act, 2007, provides legal backing for the MTEF and spells out the elements among which are: A Macroeconomic Framework and Fiscal Strategy Paper and an Expenditure and Revenue Framework. The MTEF is a process that aims at improving budget decision-making process so as to link government

policies, priorities and requirements with limited resources. It is both a top-down and a bottom-up process: a top-down process of determining the ‘resource envelope’ for each sector and a bottom-up process of estimating the actual requirements for implementing policies, programmes and projects in each sector by Ministries, Departments and Agencies (MDAs). Usually, an MTEF includes the following:

- A medium-term fiscal framework setting out the aggregates;
- Estimates of the future costs of existing policy; and
- Sector strategies setting out sector and sub-sector priorities for future funding.

These are reflected in medium-term sector strategies (MTSS) prepared by each sector. The MTSS is a process for linking MDAs policies, budget, Monitoring and Evaluation and a tool for improving development outputs. Its reports are used as policy documents against which the MDAs’ budget submissions are evaluated and resource envelopes given to them. It is a strategy for a sector that should allow it to deliver outputs that will contribute to cross-government outcomes, and it describes this strategy in the medium-term – probably three years – and within the limitations of resource constraints. This must be done in a way that clearly demonstrates how outputs will all contribute in the most effective and efficient way possible to the successful achievement of responsive, evidence-based outcome targets (policy statements). See link below for more information:

<http://www.budgetoffice.gov.ng/pdfs/FGN%20MTEF%20&%20FSP%202014-2016.pdf>

6.2.1 The Solid Minerals Development Fund (SMDF)

Section 34 of the Minerals and Mining Act, 2007 established the Solid Minerals Development Fund. The Fund was however, formalized in 2013. The SMDF is managed by a body known as the Solid Minerals Development Board. On May 25, 2017, the President of the Federal Republic of Nigeria Inaugurated the new Board of the Fund.

The primary purpose of the SMDF is to address the fundamental sectoral challenge of insufficient funding.

As at 31 December, 2015, there has been no contribution to the Fund by the Federal Government of Nigeria. However, as at May 2017, the Federal Government of Nigeria released 30 (thirty) billion naira for development of the solid minerals sector.

6.2.2 The Budgetary Process in Nigeria

The Federal Budget is a financial plan which spells out government’s estimated revenue and proposed expenditure for a fiscal year, which runs from January 1 to December 31 fiscal year. According to section 81 of the Constitution of the Federal Republic of Nigeria 1999 as amended, “The President shall cause to be prepared and laid before each House of the National Assembly (NASS) at any time in each financial year estimates of the revenues and expenditure of the Federation for the next following financial year”. Government revenue trends, policies and payment issues for the fiscal year are stated in the Federal Budget.

6.2.3 Government Revenue

The revenue of Government can be described as the amount of money that government makes within a fiscal year. The Nigerian Government generates its revenue through

three main sources: extractive revenue (oil and gas and solid minerals revenue) to the Federation Account, Tax and Duty (company income tax, value added tax and customs duty) and other revenue from companies maintained by Government.

6.2.4 The Budget Preparation Process

The budget preparation process is a shared responsibility between the Executive and the Legislature. The President is required by law to forward the budget proposal for the given year to the National Assembly. Upon approval by the NASS, it is returned to the President for assent after which it becomes the Appropriation Act. The budget process comprised four critical stages, i.e; drafting, legislative approval, implementation and; monitoring and evaluation.

The Executive articulate its vision and plans for the economy to the Federal Ministry of Finance (FMOF) and the Budget Office of the Federation (BOF), in order to be captured in the budget. The plans give details on government agenda on how to boost growth through infrastructure improvement, poverty reduction, among others. The Budget, under the law, is based on the MTEF which shows how government plans its revenue, expenditure, borrowing and fiscal balance for the next 3 years. Before the budget is submitted, a series of meetings between the Executive and the NASS with regards to the size and contents of the budget are discussed. This procedure guarantees that the budget reflects concerns of the public and that the goals of the government are properly captured in the budget.

6.2.5 Budget Implementation

The implementation of the budget is carried out by the various Ministries, Departments and Agencies of the Federal Government. Funds for capital projects are released on a quarterly basis to the relevant Ministries, Departments and Agencies in line with the budget allocation.

6.2.6 Monitoring and Evaluation of the Federal Budget

The oversight of budget implementation is the final stage of the budget process. The monitoring is carried out by the Federal Ministry of Finance, the National Planning Commission, the National Assembly, the National Economic Intelligence Agency, the Presidential Monitoring Committee, and the Office of the Auditor General for the Federation and the Accountant General of the Federation. See the following links below:

<http://www.nationalplanning.gov.ng>; www.nigerianstat.gov.ng and www.oagf.gov.ng

7.0 Social and Economic Spending

Social and economic spending relates to expenditures by companies in respect of CSR. CSR is based on the principle that companies are corporate citizens of the society and as such have some responsibilities to the society. There are voluntary and mandatory expenditures by companies in respect of CSR.

7.1 Social expenditures by extractive companies

The expenditure here consists of material contributions made by the extractive companies in respect of Corporate Social Responsibility. Information regarding social and economic spending by companies is presented below for 2015.

Table 23: Social expenditures by extractive companies

S/N	Company	Amount as reported by Company	Statutory Contribution	Voluntary Contribution
		NGN	NGN	NGN
1	Triacta Nigeria Limited	180,463,932.00	175,143,932.00	5,320,000.00
2	Porcelainware Industries Ltd	1,650,000.00	-	1,650,000.00
3	CNC Engineering Company Ltd	1,930,000.00	1,000,000.00	930,000.00
4	Georgio Rocks Limited	3,800,000.00	3,600,000.00	200,000.00
5	Zeberced Limited	1,025,841.59	1,025,841.59	-
6	West Africa Portland Cement	393,306,519.00	-	393,306,519.00
7	Dantata & Sawoe	2,000,000.00	-	2,000,000.00
8	Asphalt Unity Construction Ltd	84,121,759.20	80,332,759.20	3,789,000.00
9	Kopek Constraction Nig Ltd	1,028,500.00	-	1,028,500.00
10	Levant Constuction Ltd	8,049,000.00	-	8,049,000.00
11	UNICEM Plc	134,000,000.00	134,000,000.00	-
12	Ashakacem Plc	153,911,844.02	121,006,144.02	32,905,700.00
13	Cement Company Of Northern Nigeria (CCNN) Plc	49,136,888.00	-	49,136,888.00
14	Dangote Cement Plc	561,526,769.40	537,177,933.49	24,348,835.91
15	Hitech Constuction Ltd	8,950,000.00	8,700,000.00	250,000.00
16	Perfect Stone Quarries Ltd	5,200,000.00	5,000,000.00	200,000.00
17	C & C Construction Co. Ltd	21,685,000.00	685,000.00	21,000,000.00
18	Chengzhau Mining Limited	4,500,000.00	4,500,000.00	-
19	Platinum Asphalt & Crushing Company Limited	1,329,500.00	679,500.00	650,000.00
20	Inorganic Earth Resources Company Limited	4,500,000.00	-	4,500,000.00
21	Venus Mining Company Limited	24,000,000.00	2,000,000.00	22,000,000.00
	TOTAL	1,646,115,553.21	1,074,851,110.30	571,264,442.91

Data provided in the table were verified

7.2 Quasi fiscal expenditures

There was no quasi-fiscal expenditure in the year 2015 as state participation in the solid minerals industry was nil as there was no state own enterprise for the solid minerals sector.

7.3 The contribution of the Extractive sector to the Economy

The Solid mineral sector generated ₦69,200,504,762.90 in 2015 out of which Cement manufacturing is 60.20% of the total accruable to the sector or ₦41,657,334,683.86, Construction is 31.44% or ₦21,756,367,260.85 of the total while Mining and Quarry is 8.36% or ₦5,786,802,818.19. The table below highlights this position.

Table 24: Solid Minerals Contribution by Sector

Contribution by Sector	Amount (NGN)	%
Contribution by Cement Manufacturing companies	41,657,334,683.86	60.20
Contribution by Construction Companies	21,756,367,260.85	31.44
Contribution by Mining & Quarrying Companies	5,786,802,818.19	8.36
Total from Solid Minerals by Sector	69,200,504,762.90	100.00
Details of sources	Amount (NGN)	%
FIRS	62,593,745,344.23	90.45
MID	1,111,778,510.98	1.61
MCO	125,647,500.00	0.18
Unilateral Disclosure by reporting Companies	4,736,884,784.32	6.85
Unilateral Disclosure by Government Agencies	632,448,623.37	0.91
Total from Solid Minerals	69,200,504,762.90	100.00

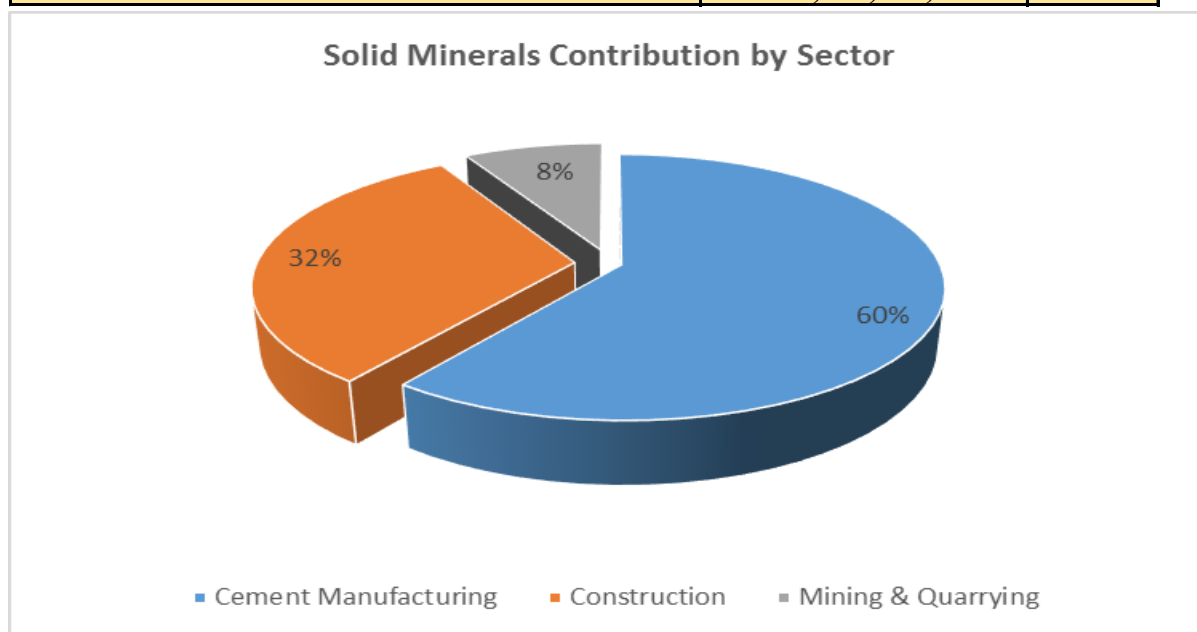


Figure 10: Solid minerals contribution by sector

7.3.1 Contribution to Gross Domestic Product

Total GDP at Current Basic Price was ₦94,144,960.45 Million in 2015. However, total contribution to GDP from solid minerals in 2015 was ₦109,591.75 million giving a percentage contribution of 0.12% as shown below.

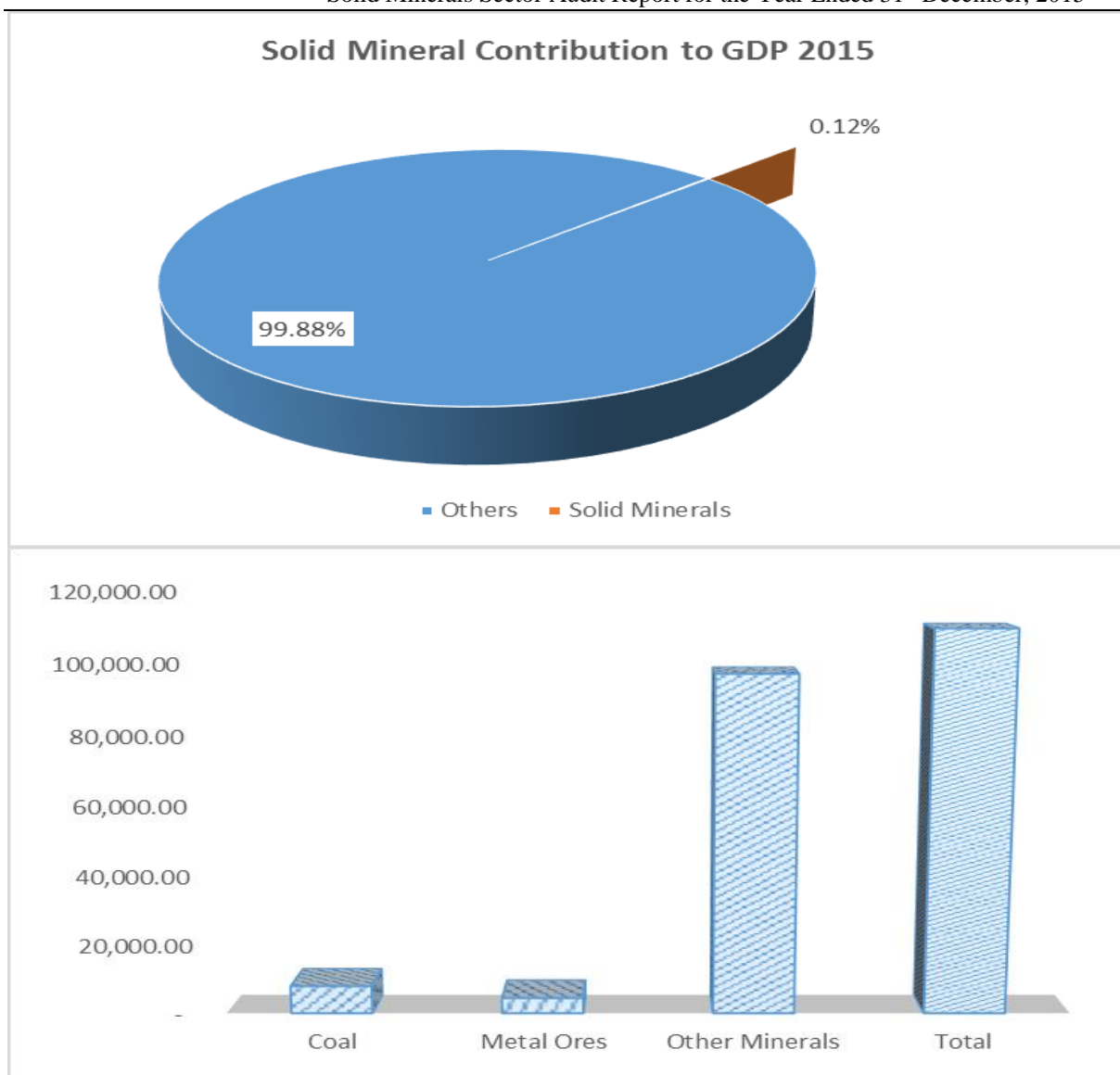
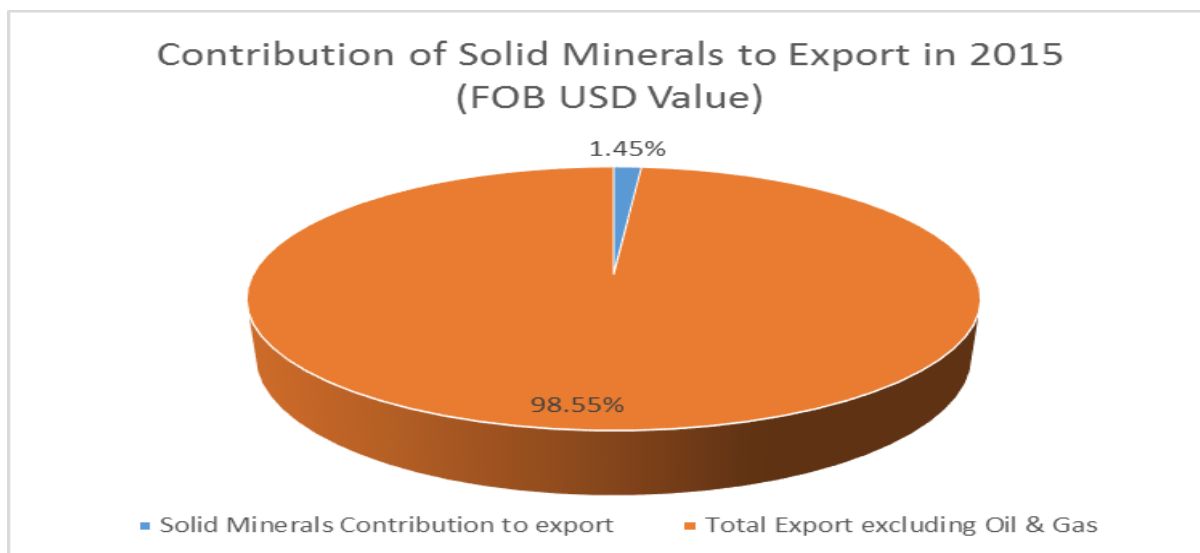


Figure 11: Solid Minerals Contribution (N' Million) to GDP, 2015.

7.3.2 Contribution to Export

Nigeria's total export at FOB in 2015 was USD672,523,202.12 excluding oil and gas. However, solid minerals accounted for USD9,732,963.59 (₦1,941,726,218.25) or 1.45% of the total non-oil export.



Source of figures: Nigeria Custom Service

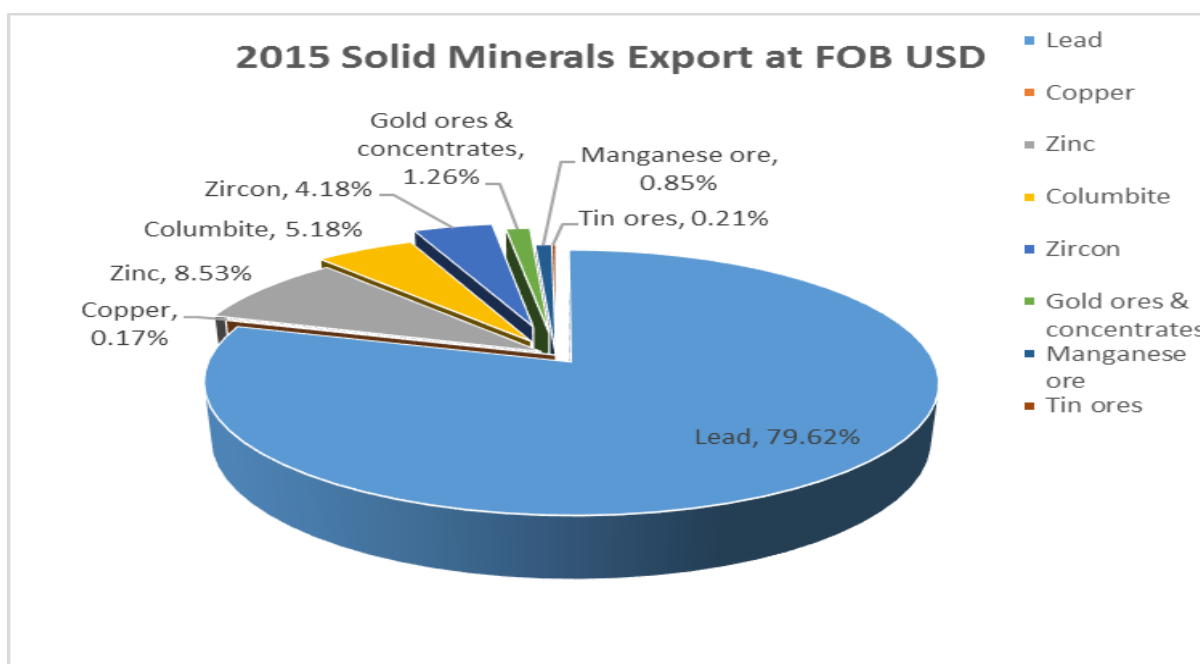


Figure 12: Contribution to Export
Source of figures: Nigeria Custom Service

7.3.3 Contribution to Employment

The solid minerals sector at the moment is contributing less than the proportion it should have done if the sector is given the necessary attention. Specifically, the sector is presently dominated by unskilled artisanal small scale miners.

Organised mining activities are restricted to a few operators in the sector. However, the 2015 employment statistics for the 42 entities and the comparative figures for 2014 are presented below.

Employment Statistics Within Materiality Threshold				
Category of Employees	2015	2014	Absolute Change	% Change
Expatriate	1,842	1,328	514	39
National	4,445	5,047	(602)	(12)
Local	8,748	7,383	1,365	18
Total	15,035	13,758	1,277	9

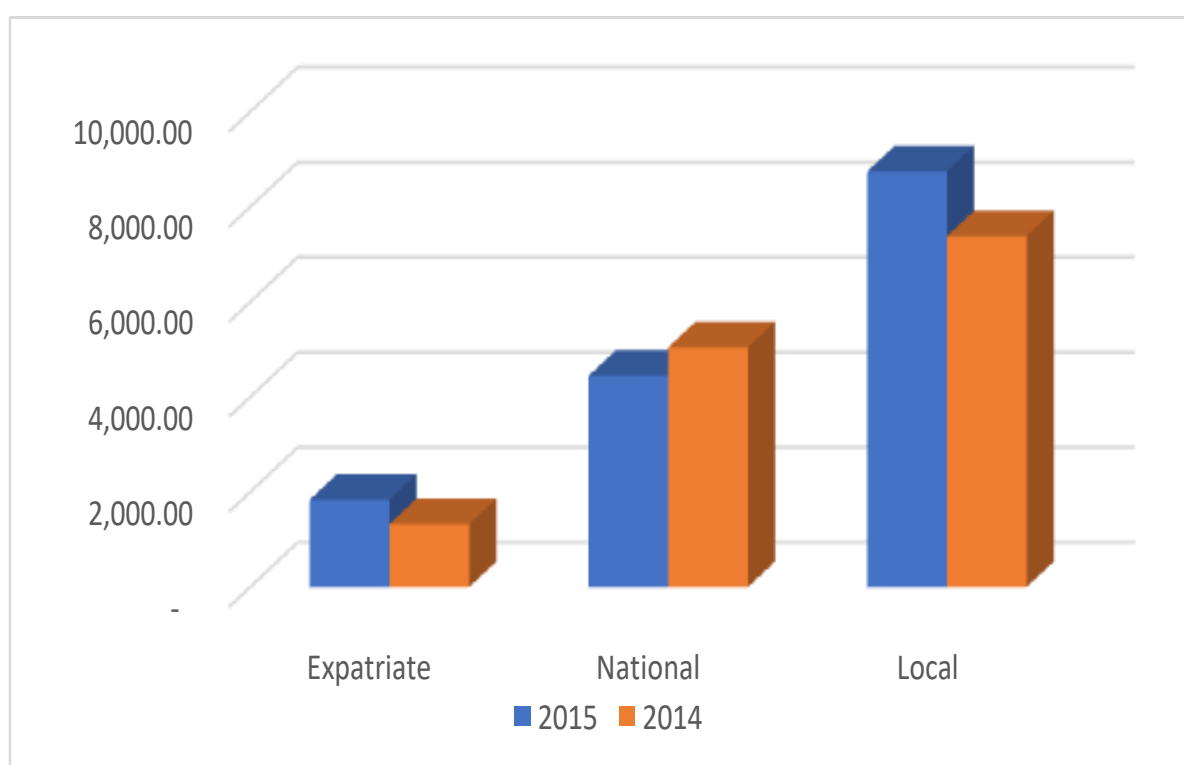


Figure 13: Employment Statistics within Materiality Threshold

The increase of 9% in total employment figure is due to the addition of new companies that fall within the materiality threshold in 2015. For full details of employment, see **Appendix 2**

8.0 Outcome of Reconciliation, Verification and Validation

8.1 Reporting by covered extractive entities

We carried out reconciliation of the data on the initial templates from the extractive companies and Government agencies and validated these data to their respective source documents during our visits to the covered entities and brought out the differences. Some of these differences were resolved at the tripartite meeting held in Lagos, Port-Harcourt and Abuja.

Set out below is the outcome of our reconciliation carried out for all the companies that met the threshold.

Declared Payments and Revenue by Companies and Government

The table below shows the payments and receipts declared by companies and government respectively, including unilateral disclosures.

Table 26: Payments and Receipts Declared by Companies and Government

Payment Streams	Declared Companies Payment (NGN)	Declared Government Revenue (NGN)	Unreconciled Differences
	a	b	c = (b-a)
FIRS	59,824,707,996.21	62,593,745,344.23	2,769,037,348.02
MID	1,111,510,371.83	1,111,778,510.98	268,139.15
MCO	125,517,500.00	125,647,500.00	130,000.00
Sub-Total (A)	61,061,735,868.04	63,831,171,355.21	2,769,435,487.17
Nigeria Custom Service	2,578,343.00		(2,578,343.00)
Federal Ministry of Environment	7,397,500.00		(7,397,500.00)
Artisanal and Small-Scale Mining Department	50,000.00		(50,000.00)
SBIR	4,546,659,666.96		(4,546,659,666.96)
LGA	92,537,198.20		(92,537,198.20)
Community/Landowners	83,353,576.16		(83,353,576.16)
Federal Ministry of Trade & Investment	4,308,500.00		(4,308,500.00)
MID (Royalty & fees below Threshold)		203,222,123.37	203,222,123.37
MCO (Annual service fees and renewals)		429,226,500.00	429,226,500.00
Sub-Total (B)	4,736,884,784.32	632,448,623.37	(4,104,436,160.95)
Grand Total = (A+B)	65,798,620,652.36	64,463,619,978.58	(1,335,000,673.78)

Table 27: Summary of Payments declared by the extractive companies

Covered Entities	Declared Company revenue (NGN)	% of Total Payment
FIRS	59,824,707,996.21	90.921
MID	1,111,510,371.83	1.689
MCO	125,517,500.00	0.191
Sub-Total	61,061,735,868.04	
Companies unilateral disclosure of revenues:		
Nigeria Custom Service	2,578,343.00	0.004
Federal Ministry of Environment	7,397,500.00	0.011
Artisanal and Small-Scale Mining Department	50,000.00	0.000
SBIR	4,546,659,666.96	6.910
LGA	92,537,198.20	0.141
Community/Landowners	83,353,576.16	0.127
Federal Ministry of Trade & Investment	4,308,500.00	0.007
Sub-Total	4,736,884,784.32	
Total Solid Mineral Sector	65,798,620,652.36	100.000
Reconciled revenues	61,061,735,868.04	92.801
Not reconciled	4,736,884,784.32	7.199
Total Solid Mineral Sector	65,798,620,652.36	100.000

Table 28: Summary of revenue declared by Government Agencies

Government Entity	Declared Government revenue (NGN)	% of total receipts
FIRS	62,593,745,344.23	97.10
MID	1,111,778,510.98	1.72
MCO	125,647,500.00	0.19
Sub-Total (A)	63,831,171,355.21	
Unilateral disclosure by government entities:		
MID (Royalty & fees below Threshold)	203,222,123.37	0.32
MCO (Annual Service fees & Renewals)	429,226,500.00	0.67
Sub-Total (B)	632,448,623.37	
Grand Total (A+B)	64,463,619,978.58	100.00
Reconciled Revenue	63,831,171,355.21	99.02
Unreconciled Revenue	632,448,623.37	0.98
Total Revenue	64,463,619,978.58	100.00

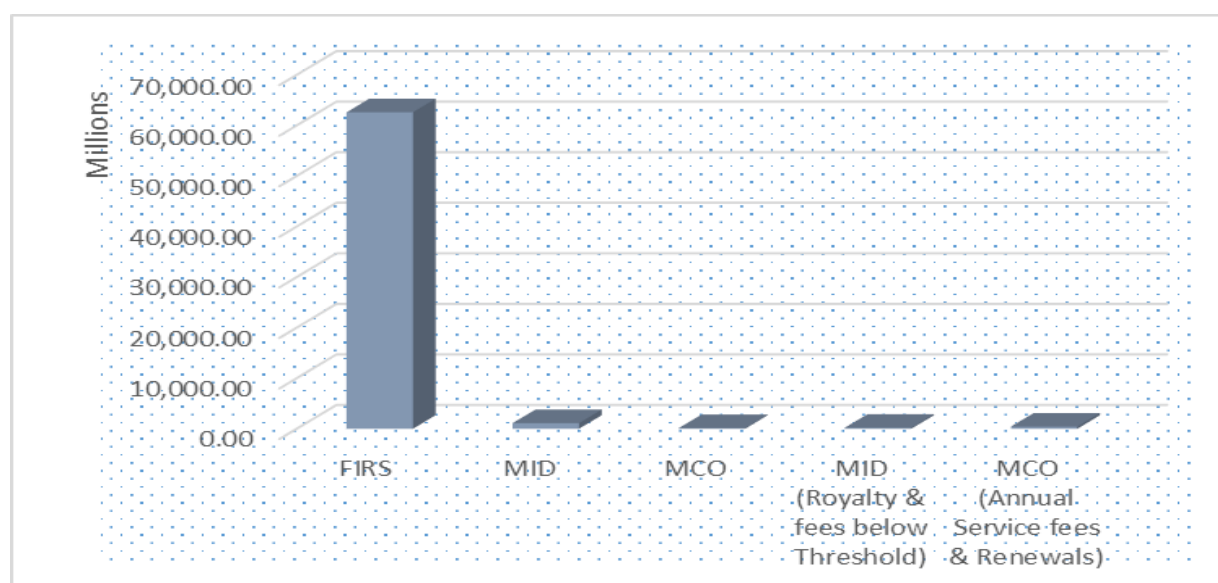


Figure 14: Government Declared Revenue (NGN)

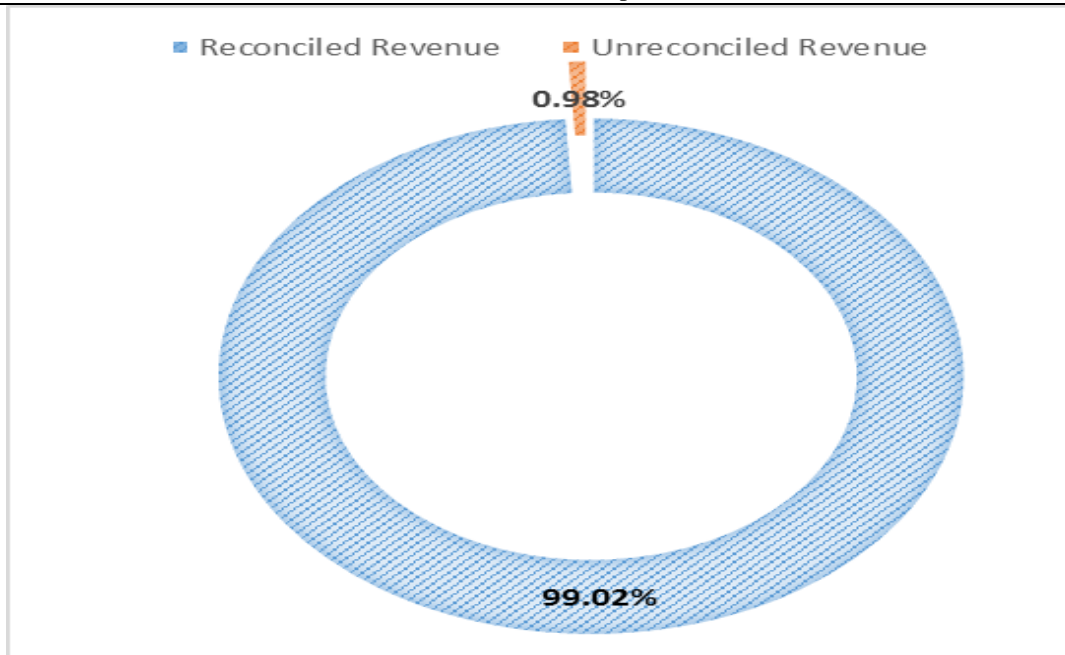


Figure 15: Government Declared Revenue

Table 29 shows the outcome of detailed work carried out on the covered entities

Table 29: Reporting by Extractive Covered Entities (NGN)										
S/N	Company	INITIAL TEMPLATE			ADJUSTMENT			FINAL		
		Company	Government	Difference	Company	Government	Difference	Company	Government	Difference
		(a)	(b)	(c) = (b - a)	(d)	(e)	(f) = (e - d)	(g)	(h)	(i) = (h - g)
1	Arab Contractors Ltd	1,223,420,547.21	1,155,223,178.17	(68,197,369.04)	14,120,033.26	6,457,374.00	(7,662,659.26)	1,237,540,580.47	1,161,680,552.17	(75,860,028.30)
2	Ashakacem Plc	962,858,127.61	995,060,967.92	32,202,840.31	201,554,309.98	(2,422,599.60)	(203,976,909.58)	1,164,412,437.59	992,638,368.32	(171,774,069.27)
3	Asphalt Unity Construction Ltd	55,477,517.50	43,162,898.10	(12,314,619.40)	7,709,384.00	-	(7,709,384.00)	63,186,901.50	43,162,898.10	(20,024,003.40)
4	C.G.C. Nig. Ltd	89,308,090.18	1,964,543,834.24	1,875,235,744.06	1,933,112,256.10	88,480.00	(1,933,023,776.10)	2,022,420,346.28	1,964,632,314.24	(57,788,032.04)
5	CCECC Nigeria Limited	1,201,023,038.00	4,659,946,373.10	3,458,923,335.10	3,458,833,335.10	(90,000.00)	(3,458,923,335.10)	4,659,856,373.10	4,659,856,373.10	-
6	Cement Company Of Northern Nigeria (CCNN) Plc	1,199,322,809.24	1,225,597,046.22	26,274,236.98	45,000,783.79	6,227,550.00	(38,773,233.79)	1,244,323,593.03	1,231,824,596.22	(12,498,996.81)
7	CNC Engineering Company Ltd	7,074,130.00	20,452,180.62	13,378,050.62	13,567,450.62	-	(13,567,450.62)	20,641,580.62	20,452,180.62	(189,400.00)
8	Crushed Rock	-	41,118,780.44	41,118,780.44	86,829,655.51	27,757,937.50	(59,071,718.01)	86,829,655.51	68,876,717.94	(17,952,937.57)
9	Dangote Cement Plc	18,316,509,853.23	29,612,223,697.60	11,295,713,844.37	7,331,607,642.49	10,000.00	(7,331,597,642.49)	25,648,117,495.72	29,612,233,697.60	3,964,116,201.88
10	Dantata & Sawoe	-	276,688,138.00	276,688,138.00	310,246,007.77	114,676.00	(310,131,331.77)	310,246,007.77	276,802,814.00	(33,443,193.77)
11	Georgio Rocks Ltd	44,683,772.34	59,226,461.32	14,542,688.98	15,016,695.38	474,006.40	(14,542,688.98)	59,700,467.72	59,700,467.72	-
12	Gilmor Engineering Ltd	509,124,938.32	310,772,688.78	(198,352,249.54)	23,408,550.93	480,000.00	(22,928,550.93)	532,533,489.25	311,252,688.78	(221,280,800.47)
13	Hitech Construction Ltd	2,026,681.45	815,433,260.00	813,406,578.55	813,406,578.55	-	(813,406,578.55)	815,433,260.00	815,433,260.00	-
14	Julius Berger	4,728,966,400.85	4,911,077,524.20	182,111,123.35	228,812,689.66	15,343,160.76	(213,469,528.90)	4,957,779,090.51	4,926,420,684.96	(31,358,405.55)
15	Kopek Contruction Nig Ltd	195,933,588.64	65,735,726.98	(130,197,861.66)	9,415,467.54	177,250.00	(9,238,217.54)	205,349,056.18	65,912,976.98	(139,436,079.20)
16	Levant Construction Ltd	7,714,374.54	225,102,487.79	217,388,113.25	218,544,301.00	60,000.00	(218,484,301.00)	226,258,675.54	225,162,487.79	(1,096,187.75)
17	Perfect Stone Quarries Limited	12,375,750.25	12,446,701.70	70,951.45	531,474.13	-	(531,474.13)	12,907,224.38	12,446,701.70	(460,522.68)
18	Petra Quarries Ltd	14,975,103.00	67,822,436.68	52,847,333.68	54,305,306.68	1,458,000.00	(52,847,306.68)	69,280,409.68	69,280,436.68	27.00
19	Porcelainware Industries Ltd	35,739,931.00	58,475,646.00	22,735,715.00	22,735,715.50	-	(22,735,715.50)	58,475,646.50	58,475,646.00	(0.50)
20	Prodeco Limited	4,489,689.14	2,000,000.00	(2,489,689.14)	-	2,489,689.14	2,489,689.14	4,489,689.14	4,489,689.14	-
21	PW Nigeria Limited	555,188,754.71	357,197,238.80	(197,991,515.91)	5,176,153.13	-	(5,176,153.13)	560,364,907.84	357,197,238.80	(203,167,669.04)
22	Ratcon Construction Company Limited	129,679,663.09	139,852,495.81	10,172,832.72	26,160,183.38	457,600.00	(25,702,583.38)	155,839,846.47	140,310,095.81	(15,529,750.66)
23	Reynolds Construction Company Nigeria Limited	1,652,810,193.00	2,372,634,983.16	719,824,790.16	967,567,686.16	-	(967,567,686.16)	2,620,377,879.16	2,372,634,983.16	(247,742,896.00)
24	Salini Nig Ltd	1,330,061,538.43	1,399,103,720.69	69,042,182.26	71,683,811.65	(27,776.00)	(71,711,587.65)	1,401,745,350.08	1,399,075,944.69	(2,669,405.39)
25	SCC Nigeria Limited	7,682,617.24	1,000,162,939.24	992,480,322.00	992,630,322.00	150,000.00	(992,480,322.00)	1,000,312,939.24	1,000,312,939.24	-
26	Setraco Nigeria Limited	2,137,628,795.00	1,652,456,420.04	(485,172,374.96)	197,192,746.22	5,512,624.00	(191,680,122.22)	2,334,821,541.22	1,657,969,044.04	(676,852,497.18)
27	Triacta Nigeria Limited	170,098,034.49	323,409,505.46	153,311,470.97	279,884,300.94	360,000.00	(279,524,300.94)	449,982,335.43	323,769,505.46	(126,212,829.97)
28	UNICEM Plc	2,828,765,215.23	3,340,445,904.38	511,680,689.15	(419,449,966.65)	11,850,000.00	431,299,966.65	2,409,315,248.58	3,352,295,904.38	942,980,655.80
29	West Africa Portland Cement	6,542,065,614.76	6,466,035,912.34	(76,029,702.42)	6,355,512.45	2,306,205.00	(4,049,307.45)	6,548,421,127.21	6,468,342,117.34	(80,079,009.87)
30	Zeberced Limited	64,125,285.95	61,065,773.06	(3,059,512.89)	1,745,175.00	1,122,800.00	(622,375.00)	65,870,460.95	62,188,573.06	(3,681,887.89)
31	C & C Construction Co Ltd	26,301,359.79	29,838,589.77	3,537,229.98	8,303,135.78	-	(8,303,135.78)	34,604,495.57	29,838,589.77	(4,765,905.80)
32	Lake Petroleum Nig Ltd	5,658,212.78	5,508,212.78	(150,000.00)	-	150,000.00	150,000.00	5,658,212.78	5,508,212.78	-
33	Mercury Mining Investment Ltd	-	5,900,582.73	5,900,582.73	4,880,000.00	-	(4,880,000.00)	4,880,000.00	5,900,582.73	1,020,582.73
34	FW Dredging Nig. Ltd.	-	9,430,000.00	9,430,000.00	9,430,000.00	-	(9,430,000.00)	9,430,000.00	9,430,000.00	-
35	Inorganic Earth Resources Ltd	5,076,123.40	5,166,123.40	90,000.00	90,000.00	-	(90,000.00)	5,166,123.40	5,166,123.40	-
36	Coltan Minerals Limited	4,988,356.00	5,043,821.00	55,465.00	312,965.00	257,500.00	(55,465.00)	5,301,321.00	5,301,321.00	-
37	Platinum Asphalt & Crushing Co Ltd	18,814,642.29	17,492,028.79	(1,322,613.50)	(406,643.00)	-	406,643.00	18,407,999.29	17,492,028.79	(915,970.50)
38	Dorbeen Nig Ltd	-	4,074,820.00	4,074,820.00	4,074,820.00	-	(4,074,820.00)	4,074,820.00	4,074,820.00	-
39	Astro Minerals Limited	4,887,500.00	5,151,077.15	263,577.15	674,489.15	415,000.00	(259,489.15)	5,561,989.15	5,566,077.15	4,088.00
40	Venus Mining Company Limited	-	10,335,397.00	10,335,397.00	3,372,299.00	-	(3,372,299.00)	3,372,299.00	10,335,397.00	6,963,098.00
41	Kunlun Nigeria Ltd	-	10,709,304.55	10,709,304.55	11,737,991.18	160,000.00	(11,577,991.18)	11,737,991.18	10,869,304.55	(868,686.63)
42	Chengzhau Mining Ltd	1,852,000.00	4,207,000.00	2,355,000.00	4,855,000.00	2,500,000.00	(2,355,000.00)	6,707,000.00	6,707,000.00	-
	TOTAL	44,096,708,248.66	63,747,331,878.01	19,650,623,629.35	16,965,027,619.38	83,839,477.20	(16,881,188,142.18)	61,061,735,868.04	63,831,171,355.21	2,769,435,487.17

The above variance of ₦2,769,435,487.17 is analysed below:

FIRS: ₦2,769,037,348.02

MCO: ₦130,000.00

MID: ₦268,139.15

FIRS accounted for ₦2,769,037,348.02. This is attributable to the following reasons:
The high figure of FIRS or 99.99% of the total difference is due to variances between FIRS Portal and official receipts issued by the state FIRS offices. Therefore, in order to close the difference, a manual reconciliation of the porter figures with the state offices records is recommended.

Some companies, kept their records offshore without copies of such records in the country. This made it impossible to verify, validate and reconcile their CIT, VAT, EDT, WHT, etc. payments due to FIRS. For example, Mercury Mining Investment Limited situate in Ofosu, along Ore – Benin road, Ondo State has no records in Nigeria and were uncorporate with the audit.

8.2 Report of Payments and Receipts by stream types

The table below shows the payments made by covered entities and receipts by government based on revenue streams.

Table 30: Reporting of Payments and Receipts by Revenue Stream Type

Reporting by Payment and Revenue Streams Type (NGN)										
S/N	Type of Payments/Receipts	INITIAL TEMPLATE			ADJUSTMENT			FINAL		
		Company	Government	Difference	Company	Government	Difference	Company	Government	Difference
	FIRS	(a)	(b)	(c) = (b - a)	(d)	(e)	(f) = (e - d)	(g)	(h)	(i) = (h - g)
1	VAT	23,270,774,988.84	32,851,491,914.15	9,580,716,925.31	5,833,152,850.25	-	(5,833,152,850.25)	29,103,927,839.09	32,851,491,914.15	3,747,564,075.06
2	CIT	9,858,364,134.09	16,004,390,554.63	6,146,026,420.54	7,033,618,286.50	-	(7,033,618,286.50)	16,891,982,420.59	16,004,390,554.63	(887,591,865.96)
3	EDT	1,664,180,702.62	4,493,118,698.39	2,828,937,995.77	2,846,225,524.77	-	(2,846,225,524.77)	4,510,406,227.39	4,493,118,698.39	(17,287,529.00)
4	WHT	8,190,933,432.44	9,244,744,177.06	1,053,810,744.62	875,625,085.00	-	(875,625,085.00)	9,066,558,517.44	9,244,744,177.06	178,185,659.62
5	Others PAYE (FCT)	251,474,783.89	-	(251,474,783.89)	358,207.81	-	(358,207.81)	251,832,991.70	-	(251,832,991.70)
	SUB-TOTAL	43,235,728,041.88	62,593,745,344.23	19,358,017,302.35	16,588,979,954.33	-	(16,588,979,954.33)	59,824,707,996.21	62,593,745,344.23	2,769,037,348.02
	MCO									
6	Mining titles(s) application processing fee	270,000.00	-	(270,000.00)	(200,000.00)	70,000.00	270,000.00	70,000.00	70,000.00	-
7	Mining titles(s) annual service fees	29,040,500.00	105,927,500.00	76,887,000.00	94,167,000.00	17,360,000.00	(76,807,000.00)	123,207,500.00	123,287,500.00	80,000.00
8	Mining title(s) fee for processing of renewal application	810,000.00	1,680,000.00	870,000.00	1,120,000.00	300,000.00	(820,000.00)	1,930,000.00	1,980,000.00	50,000.00
9	Penalty fee for late renewal of mining titles (application)	300,000.00	200,000.00	(100,000.00)	(100,000.00)	-	100,000.00	200,000.00	200,000.00	-
10	Application for transfer mining titles fees	-	-	-	-	-	-	-	-	-
11	Application for relinquishment of mining title fees	110,000.00	-	(110,000.00)	-	110,000.00	110,000.00	110,000.00	110,000.00	-
	SUB-TOTAL	30,530,500.00	107,807,500.00	77,277,000.00	94,987,000.00	17,840,000.00	(77,147,000.00)	125,517,500.00	125,647,500.00	130,000.00
	MID									
12	Royalty	824,369,706.78	1,037,089,033.78	212,719,327.00	277,770,665.05	65,149,477.20	(212,621,187.85)	1,102,140,371.83	1,102,238,510.98	98,139.15
13	Blasting certificates	870,000.00	1,210,000.00	340,000.00	430,000.00	100,000.00	(330,000.00)	1,300,000.00	1,310,000.00	10,000.00
14	Permit to erect a magazine	200,000.00	200,000.00	-	-	-	-	200,000.00	200,000.00	-
15	Permit to mix ANFO	100,000.00	500,000.00	400,000.00	440,000.00	40,000.00	(400,000.00)	540,000.00	540,000.00	-
16	Licence to buy explosives	470,000.00	790,000.00	320,000.00	410,000.00	100,000.00	(310,000.00)	880,000.00	890,000.00	10,000.00
17	Explosives magazine licence	4,330,000.00	5,850,000.00	1,520,000.00	1,940,000.00	570,000.00	(1,370,000.00)	6,270,000.00	6,420,000.00	150,000.00
18	Permit to export minerals for commercial purposes	100,000.00	90,000.00	(10,000.00)	10,000.00	20,000.00	10,000.00	110,000.00	110,000.00	-
19	Others	10,000.00	50,000.00	40,000.00	60,000.00	20,000.00	(40,000.00)	70,000.00	70,000.00	-
	SUB-TOTAL	830,449,706.78	1,045,779,033.78	215,329,327.00	281,060,665.05	65,999,477.20	(215,061,187.85)	1,111,510,371.83	1,111,778,510.98	268,139.15
	TOTAL PAYMENTS/RECEIPTS	44,096,708,248.66	63,747,331,878.01	19,650,623,629.35	16,965,027,619.38	83,839,477.20	(16,881,188,142.18)	61,061,735,868.04	63,831,171,355.21	2,769,435,487.17

8.3 Reporting companies unilateral disclosure of revenues

Table 31 represents amount paid by companies to government for which no reconciliation exercise was carried out (unilateral disclosure by companies).

Table 31: Unilateral Disclosure by Extractive Companies

Unilateral Disclosure by Company									
S/N	Company	Nigeria Custom Service	Federal Min. Trade&Inv.	Federal Min. of Environment	Artisanal and Small-Scale Mining Department	SBIR	LGA	Community/Landowners	Total
		NGN	NGN	NGN	NGN	NGN	NGN	NGN	NGN
1	Triacta Nigeria Limited	-	-	1,750,000.00	-	-	3,620,000.00	1,632,000.00	7,002,000.00
2	Porcelainware Industries Ltd	-	-	-	-	319,157.21	200,000.00	-	519,157.21
3	CNC Engineering Company Ltd	-	-	-	-	4,193,840.00	-	-	4,193,840.00
4	Georgio Rocks Limited	-	-	-	-	21,677,294.91	-	-	21,677,294.91
5	P.W Nigeria Limited	-	-	-	-	96,419,597.76	-	-	96,419,597.76
6	Reynolds Construction Company Nig. Ltd	-	-	697,000.00	-	-	1,290,000.00	13,595,750.00	15,582,750.00
7	Arab Contractors Ltd	-	-	348,500.00	-	-	-	-	348,500.00
8	CCECC Nigeria Limited	-	-	1,100,000.00	-	-	5,659,660.00	-	6,759,660.00
9	Zeberced Limited	-	-	-	-	329,346.27	350,000.00	-	679,346.27
10	West Africa Portland Cement	-	-	-	-	183,551,650.27	5,000,000.00	-	188,551,650.27
11	Julius Berger Nigeria Plc	-	-	-	-	2,281,965,445.30	-	-	2,281,965,445.30
12	Dantata & Sawoe Nigeria Limited	-	-	-	-	-	11,457,494.45	-	11,457,494.45
13	Asphalt Unity Construction Ltd	-	340,000.00	250,000.00	-	6,250,659.00	350,000.00	-	7,190,659.00
14	Kopek Construction Nig Ltd	-	-	3,012,000.00	-	100,000.00	-	-	3,112,000.00
15	Levant Constuction Ltd	-	468,500.00	-	-	4,416,017.78	450,000.00	-	5,334,517.78
16	Petra Quarries Ltd	-	-	-	-	5,205,517.00	-	-	5,205,517.00
17	Setraco Nigeria Limited	-	-	240,000.00	-	34,196,367.00	-	-	34,436,367.00
18	UNICEM Plc	-	-	-	-	404,362,771.69	-	-	404,362,771.69
19	Crushed Rock	-	-	-	-	16,004,257.96	-	-	16,004,257.96
20	Ashakacem Plc	-	-	-	-	215,077,541.58	51,243,950.00	-	266,321,491.58
21	Cement Company Of Northern Nigeria (CCNN) Plc	-	-	-	-	9,967,262.41	5,046,093.75	60,325,826.16	75,339,182.32
22	SCC Nigeria Limited	-	-	-	-	-	2,870,000.00	-	2,870,000.00
23	Dangote Cement Plc	-	-	-	-	1,249,254,719.44	3,900,000.00	-	1,253,154,719.44
24	Hitech Const Ltd	-	-	-	-	2,782,362.92	-	-	2,782,362.92
25	Perfect Stone Quarries Ltd	-	-	-	-	1,480,000.00	100,000.00	-	1,580,000.00
26	C & C Construction Co. Limited	-	-	-	-	909,591.36	1,000,000.00	600,000.00	2,509,591.36
27	Astro Minerals Limited	-	-	-	50,000.00	655,615.06	-	-	705,615.06
28	Coltan Minerals Limited	-	-	-	-	116,853.60	-	-	116,853.60
29	Chengzhau Mining Limited	-	-	-	-	-	-	7,200,000.00	7,200,000.00
30	Lake Petroleum Limited	-	-	-	-	115,000.00	-	-	115,000.00
31	Platinum Asphalt & Crushing Limited	2,578,343.00	-	-	-	5,850,798.44	-	-	8,429,141.44
32	Kunlun Nigeria	-	3,500,000.00	-	-	1,458,000.00	-	-	4,958,000.00
		2,578,343.00	4,308,500.00	7,397,500.00	50,000.00	4,546,659,666.96	92,537,198.20	83,353,576.16	4,736,884,784.32

8.4 Government Agencies unilateral disclosure of revenues

Table 32 represents revenue received by government for which no reconciliation exercise was carried out (unilateral disclosure by government agencies).

Table 32: Government Unilateral Disclosures

Government Agencies	Amount (NGN)
MID (Royalty & fees below Threshold)	203,222,123.37
MCO (Annual service fees and renewals)	429,226,500.00
Total Solid Minerals Sector	632,448,623.37

8.5 Royalty Validation

We reviewed and reconciled the production volumes, schedule of production by fields and royalty rates used for the computation of Royalty by the company and MID's calculations.

We carried out a reconciliation of production volume between the companies and MID for the year under review in order to satisfy ourselves that the volume/quantity used for the computation of Royalty are in line with MID's official definition of volume/quantity of production that should be used for the calculation of Royalty. That is, volume/quantity used or sold.

It should be noted that the total Royalty paid by the companies was ₦1,267,007,886.20 and total amount received by Government in 2015 was ₦1,267,106,025.35. The difference was ₦98,139.15.

The payments made by the companies and the amount received by the relevant Government agency after validation and reconciliation are summarized in the tables below.

Table 33: Analysis of Royalties Paid and Received by Companies and Government respectively

S/N	Company Name	Royalty Paid by Company (NGN)	Royalty Received by Government (NGN)	Unreconciled Difference (NGN)
1	Arab Contractors Ltd	15,341,752.71	15,341,752.48	(0.23)
2	Ashakacem Plc	36,802,410.40	36,802,410.40	-
3	Asphalt Unity Construction Ltd	6,667,997.50	6,668,837.00	839.50
4	Astro Mining Ltd	3,807,500.00	3,807,500.00	-
5	C & C Construction Co Ltd	14,289,000.00	14,289,000.00	-
6	C.G.C. Nig. Ltd	4,594,089.80	4,594,089.80	-
7	CCECC Nigeria Limited	15,914,577.00	15,914,577.00	-
8	Cement Company Of Northern Nigeria (CCNN) Plc	16,596,820.00	16,742,180.00	145,360.00
9	Chengzhau Mining Ltd	3,723,500.00	3,723,500.00	-
10	CNC Engineering Company Ltd	10,089,155.00	10,089,155.00	-
11	Coltan Min Ltd	4,724,500.00	4,724,500.00	-
12	Crushed Rock Industries Nigeria Limited	25,877,937.50	25,877,937.50	-
13	Dangote Cement Plc	387,731,821.93	387,731,821.93	-
14	Dantata & Sawoe	6,158,558.00	6,158,558.00	-
15	Dorbeen Nig Ltd	3,575,000.00	3,575,000.00	-
16	FW Dredging Nig. Ltd.	6,550,000.00	6,550,000.00	-
17	Georgio Rocks Ltd	13,241,685.63	13,241,685.63	-
18	Gilmor Engineering Ltd	8,199,125.00	8,199,125.00	-
19	Hitech Construction Ltd	4,569,073.00	4,569,073.00	-
20	Inorganic Earth Resources Ltd	5,076,123.40	5,076,123.40	-
21	Julius Berger	110,244,794.88	110,096,657.76	(148,137.12)
22	Kopek Construction Nig Ltd	15,381,130.00	15,481,180.00	100,050.00
23	Kunlun Nigeria Ltd	3,113,087.00	3,113,087.00	-
24	Lake Petroleum Nig Ltd	3,800,000.00	3,800,000.00	-
25	Levant Construction Ltd	5,195,000.00	5,195,000.00	-
26	Mercury Mining Investment Ltd	4,600,000.00	4,600,000.00	-
27	Perfect Stone Quarries Limited	6,633,600.51	6,633,600.51	-
28	Petra Quarries Ltd	5,747,963.00	5,747,990.00	27.00
29	Platinum Asphalt & Crushing Co Ltd	3,974,883.44	3,974,883.44	-
30	Porcelainware Industries Ltd	6,793,200.00	6,793,200.00	-
31	Prodeco Limited	4,489,689.14	4,489,689.14	-
32	PW Nigeria Limited	5,038,414.00	5,038,414.00	-
33	Ratcon Construction Company Limited	24,223,686.13	24,223,686.13	-
34	Reynolds Construction Company Nigeria Limited	23,276,641.00	23,276,641.00	-
35	Salini Nig Ltd	3,631,978.50	3,631,978.50	-
36	Scc Nigeria Limited	12,220,497.24	12,220,497.24	-
37	Setraco Nigeria Limited	32,027,271.00	32,027,271.00	-
38	Triacta Nigeria Limited	9,377,942.00	9,377,942.00	-
39	United Cement Plc	67,580,297.90	67,580,297.90	-
40	Venus Mining Company Limited	3,372,299.00	3,372,299.00	-
41	West Africa Portland Cement	139,596,102.22	139,596,102.22	-
42	Zeberced Limited	18,291,268.00	18,291,268.00	-
43	Other Companies below Threshold	164,867,514.37	164,867,514.37	-
TOTAL		1,267,007,886.20	1,267,106,025.35	98,139.15

8.6 Adjustments Made during the Reconciliation, Verification and Validation

Adjustments refers to amounts added to or deducted from companies and government declared figures where there are further evidences to substantiate such payments/or receipts.

8.6.1 Company's Adjustments

Where evidences are provided by the company and such evidences are supported by the relevant Government agency's records, adjustments are made to the template in favour of the company. Where however, items in the company template could not be substantiated by the company, necessary adjustments are made against the company. The summary of the adjustments made are set out below:

8.7.2 Summary of Adjustments made to Extractive Companies templates

Summarized below were the adjustments made to the companies' templates to arrive at their final figures.

Table 34: Adjustments made to Extractive Companies Templates		
S/N	Details	Amount (₦)
1	Payments of Taxes that relate to Non-mining activities (i)	16,588,979,954.41
2	Payments made but not reported by the company (ii)	375,671,001.79
3	Payments made but relating to period outside the year under review (Timing Difference) (iii)	(3,663,788.49)
4	Total amount added/(deducted) to /from the initial amount reported by the company (iv)	4,040,451.67
	Total	16,965,027,619.38

8.7.3 Adjustments made to company's templates for non-mining related activities

Table 35: Taxes Other than Mining by Tax type (i)		
S/N	Revenue Stream	Amount (₦)
1	Value Added Tax (VAT)	5,833,152,850.33
2	Company Income Tax (CIT)	7,033,618,286.50
3	Education Tax (EDT)	2,846,225,524.77
4	Withholding Tax (WHT)	875,625,085.00
5	PAYE (FCT)	358,207.81
	Total	16,588,979,954.41

This is further broken down by company:

Table 36: Taxes other than mining by companies

Table 36: Taxes other than Mining by Companies		
S/N	Company	Amount (₦)
1	Gilmor Engineering Company Limited	23,388,550.93
2	Triacta Nigeria Limited	279,804,300.94
3	Porcelainwares Industries Limited	22,735,715.50
4	CNC Engineering Company Limited	8,608,000.62
5	Ratcon Construction Company Limited	12,530,393.58
6	Georgio Rocks Limited	16,433,657.13
7	PW Nigeria Limited	3,034,596.38
8	Reynolds Construction Company Limited	967,044,576.16
9	Arab Contractors	7,621,188.00
10	Salini Nigeria Limited	70,956,281.65
11	CCECC Nigeria Limited	3,449,405,248.10
12	Zeberced Limited	330,000.00
13	West Africa Portland Cement	3,775,055.45
14	Julius Berger Nigeria Plc	237,090,301.29
15	Dantata & Sawoe Nigeria Limited	303,987,449.77
16	Asphalt Unity Construction Limited	8,305,384.00
17	C.G.C. Nig. Limited	1,928,879,256.10
18	Kopek Construction Nigeria Limited	8,440,217.54
19	Levant Construction Limited	218,179,301.00
20	Petra Quarries Limited	53,058,954.68
21	Setraco Nigeria Limited	186,923,421.30
22	UNICEM Plc	(498,880,264.55)
23	Crushed Rock	59,071,718.01
24	Ashaka Cement Plc	191,461,030.00
25	Cement Company Of Northern Nigeria (CCNN) Plc	44,380,908.79
26	SCC Nigeria Limited	986,592,442.00
27	Dangote Cement Plc	7,169,324,779.86
28	Hitech Construction Company Limited	809,446,345.55
29	Perfect Stone Quarries Ltd	531,474.13
30	C & C Construction Company Limited	7,254,135.17
31	Astro Minerals Limited	674,489.15
32	Coltan Minerals Limited	302,965.00
33	Chengzhau Mining Company Limited	(50,000.00)
34	Platinum Asphalt & Crushing Company Limited	(466,643.00)
35	Kunlun Nigeria Limited	8,454,904.18
36	Dorbeen Nigeria Limited	349,820.00
	Total	16,588,979,954.41

8.7.4 Payments made but not reported by the company.

Such payments were added back to the company's figure after evidences had been provided by the company and there was no contrary view from the government agencies concerned.

Table 37: Payments made but not reported by the company (ii)		
S/N	Company	Amount (₦)
1	Gilmor Nigeria Limited	20,000.00
2	Triacta Nigeria Limited	80,000.00
3	CNC Engineering Company Limited	4,749,450.00
4	Ratcon Construction Company Limited	13,629,789.80
5	Georgio Rocks Limited	20,000.00
6	Reynolds Construction Company Limited	523,110.00
7	Arab Contractors Limited	6,547,374.00
8	Salini Nigeria Limited	707,530.00
9	CCECC Nigeria Limited	9,428,087.00
10	Zeberced Nigeria Limited	1,315,175.00
11	West Africa Portland Cement	2,580,457.00
12	Julius Berger Nigeria Plc	(8,077,611.63)
13	Dantata & Sawoe Nigeria Limited	6,258,558.00
14	Asphalt Unity Construction Limited	(496,000.00)
15	CGC Nigeria Limited	4,233,000.00
16	Kopek Nigeria Limited	975,250.00
17	Levant Construction Limited	470,000.00
18	Petra Quarries Limited	1,246,352.00
19	Setraco Nigeria Limited	10,219,325.00
20	UNICEM Plc	79,430,297.90
21	Crushed Rock Limited	27,757,937.50
22	Ashaka Cement Plc	10,093,279.98
23	Cement Company of Northern Nigeria (CCNN)	1,219,000.00
24	SCC Nigeria Limited	6,037,880.00
25	Dangote Cement Plc	162,282,860.63
26	Hitech Construction Company Limited	3,675,513.00
27	C & C Construction Company Limited	1,049,000.61
28	Coltan Minerals Limited	10,000.00
29	Chengzhau Mining Company Limited	4,905,000.00
30	Mecury Mining Investment	4,880,000.00
31	Kunlun Nigeria Limited	3,283,087.00
32	FW Dredging Nigeria Limited	9,430,000.00
33	Dorbeen Nigeria Limited	3,725,000.00
34	Inorganic Earth Resources Limited	90,000.00
35	Venus Mining Company Limited	3,372,299.00
	Total	375,671,001.79

8.7.5 Payments outside the reporting period.

These are purely timing difference payments. Such payments were either added back or deducted from the company's figure.

Table 38: Payments made but relating to period outside the year under review (Timing Difference) (iii)		
S/N	Company Name	Amount (₦)
1	Georgio Rocks Limited	(1,436,961.75)
2	Arab Contractors	(1,327,701.74)
3	Julius Berger Nigeria Plc	(200,000.00)
4	Asphalt Unity Construction Limited	(100,000.00)
5	Cement Company of Northern Nigeria (CCNN)	(599,125.00)
	Total	(3,663,788.49)

8.7.6 Total amount added/deducted to/from the initial amount reported by companies

Amount shown in table 39 represents December, 2014 payments made in January 2015 but not reported by companies for the year 2015. These figures have been added to the current year's figures as all payments are reported on cash basis.

Table 39: Total amount added to the initial amount reported by the company (Timing Difference) (iv)		
S/N	Company Name	Amount (₦)
1	Arab Contractors	1,279,172.80
2	Levant Construction Limited	105,000.00
3	Hitech Construction Company Limited	284,720.00
4	Platinum Asphalt & Crushing Company Limited	60,000.00
5	PW Nigeria Limited	2,141,556.75
6	Setraco Nigeria Limited	170,002.12
	Total	4,040,451.67

8.8 Summary of Adjustments made to Government Agencies templates

8.8.1 Summarized below were the adjustments made to the Government agencies' templates to arrive at their final figures

The table below shows the adjustments that were made to Government agencies initial templates due to timing difference, data omission, and improper classification of data and over/under statement of amounts.

Table 40: Adjustments made to Government Agencies Templates		
S/N	Details	Amount (₦)
1	Payments received but not reported by Government Agencies (i)	42,200,213.50
2	Payment received but not correctly reported by Government Agencies (ii)	18,474,460.76
3	Amount added/(deducted) to /from the initial amount reported by Government Agencies (iii)	23,164,802.94
	Total	83,839,477.20

8.8.2 Payments received but not reported by Government Agencies

Such receipts were added back to the Government agencies' figure after evidences had been provided to confirm receipts.

Table 41: Payments received but not reported by Government Agencies (i)			
S/N	Revenue Stream	Government Agency	Amount (NGN)
1	Annual Service fee	MCO	14,470,000.00
2	Blasting Certificate	MID	90,000.00
3	Explosive magazine licence	MID	460,000.00
4	Licence to buy explosive	MID	90,000.00
5	Mining title fees for processing of renewal application	MCO	200,000.00
6	Mining titles application processing fees	MCO	70,000.00
7	Mining titles Fees for processing of renewal application	MCO	260,000.00
8	Penalty fees for late renewal of mining titles(application)	MCO	200,000.00
9	Permit to mix ANFO	MID	20,000.00
10	Renewal of detonator store licence	MID	20,000.00
11	Royalty	MID	26,320,213.50
	Total		42,200,213.50

8.8.3 Payment received but not correctly reported by Government Agencies.

Necessary adjustment were carried out on the side of Government agencies templates

Table 42: Payment received but not Correctly Reported by Government Agencies (ii)			
S/N	Revenue Stream	Government Agency	Amount (NGN)
1	Annual service fee	MCO	640,000.00
2	Blasting Certificate	MID	10,000.00
3	Explosive magazine licence	MID	170,000.00
4	Licence to buy explosive	MID	20,000.00
5	Permit to export minerals for commercial purposes	MID	20,000.00
6	Royalty	MID	17,614,460.76
	Total		18,474,460.76

8.8.4 Amount added/ (deducted) to/from the initial amount reported by Government Agencies

Table 43: Amount added/(deducted) to/from the initial amount reported by Government Agencies (iii)			
S/N	Revenue Streams	Government Agency	Amount (NGN)
1	Annual Service fees	MCO	2,090,000.00
2	Application for relinquishment of mining title fees	MCO	110,000.00
3	Explosive magazine licence	MID	(60,000.00)
4	Licence to buy explosive	MID	(10,000.00)
5	Penalty fees for late renewal of mining titles (application)	MCO	(200,000.00)
6	Permit to mix ANFO	MID	20,000.00
7	Royalty	MID	21,214,802.94
	Total		23,164,802.94

9.0 Summary of Findings and Recommendations

9.1 Highlights of Issues Raised in Previous Audits (2007 – 2014)

PROCESS			
S/N	FINDINGS	RECOMMENDATION	REMARKS
	<ul style="list-style-type: none"> The audit has observed that no adequate collaboration exists between the various government agencies. This leads to revenue leakages as some of the licensed holders operate without the registration and knowledge of the MID at States 	<ul style="list-style-type: none"> There is an urgent need for interface between relevant Ministries, Departments and agencies which will ensure that appropriate taxes and other payment are made by operators and received by the relevant agencies. 	MMSD has developed a Road Map to provide specific direction to rapid transformation of the solid minerals and metal sector
	<ul style="list-style-type: none"> The Audit has observed the incessant smuggling of Solid Minerals out of the country by middle men and smugglers. 	<ul style="list-style-type: none"> The establishment of mineral market at strategic boarder points across the country in order to bring about flexible market control 	Surveillance vehicles have have procured and deployed to stem the menace
	<ul style="list-style-type: none"> The Nigeria Export Promotion Council (NEPC) has created the Export Expansion Grant (EEG) which is a scheme established to induce non-oil exports, assist exporters to expand their volumes. The Audit observed that out of 86 companies that exported minerals during audit period, only two (2) companies applied and benefitted from the grant. 	<ul style="list-style-type: none"> NEPC and MMSD to sensitize non-oil exporters in the utilization of the scheme. <p>This should serve as an avenue for the recovery of royalties at the time of export</p>	
	<ul style="list-style-type: none"> At present, the MCO do not have a database and cannot keep track of illegal mining activities in the country. 	<ul style="list-style-type: none"> The MCO should send status report of all mining titles to FMO in each state of the monthly for effective monitoring. 	The MCO has institutionalized regular meetings with the parent ministry (MMSD).
	<ul style="list-style-type: none"> Geophysical and geochemical mapping coverage of Nigeria remains low. 	<ul style="list-style-type: none"> NGSA should be enabled to adequately update and cover the whole country to provide reliable geological data. 	Air borne geophysical survey had been carried by NGSA. Solid Mineral Road Map, 2012

	PYSICAL		
	<ul style="list-style-type: none"> The Audit has observed revenue leakages in the process of exporting the components of minerals, \$15.2M (FOB) worth of Ore was exported without royalty payments. This was traced to CBN records. Estimated Revenue loss arising from these lapses sum up to =N= 70.3m 	<ul style="list-style-type: none"> An effective Framework by MMSD, CBN and other relevant agencies to ensure that royalties are paid for all minerals exported 	MMSD has approved a new pricing regime through the intervention of the IMTT, with effect of April 2014 for royalty
	<ul style="list-style-type: none"> It was observed that some companies reported the same level of production from January to December, even though explosive consumption was observed to differ during the period under review. Some company disclosed that MID uses powder factor to determine royalty forcefully if not satisfied with the declared tonnage. 	<ul style="list-style-type: none"> MID should endeavor to initiate programs for regular independent production audit of extractive companies so that gross misstatements or under-declaration of production volumes would be reduced to the minimum. In the medium to long term, MID should encourage companies to acquire, install and use measurement machines related to weighing, such as load volume scanner, weigh bridges, etc, in mines and quarries to minimize dispute with respect to quantity Should MID have reason to surcharge an operator, the equivalent tonnage and mineral type involved should be indicated. 	No action yet
	<ul style="list-style-type: none"> The Audit observed that no adequate monitoring mechanisms were put in place by the regulatory authorities to carry out effective supervision of the industry. 	<ul style="list-style-type: none"> To develop robust framework for implementing the act/policies governing the industry to enhance the supervisory role of the regulators and avoid situations where the regulators are at the mercy of the operators. 	
	The activities of illegal miners were observed to be prevalent within the industry, leading to loss of government revenues.	<ul style="list-style-type: none"> Government should continue with its formalization of informal miners and encouragement of 	Some mineral buying centres had been established.

		establishment of more private mineral buying centres to facilitate collection of revenue	
	<ul style="list-style-type: none"> The Audit has observed with specific references to wide spread environmental degradation and hazards caused by artisanal and small scale miners activities 	<ul style="list-style-type: none"> Formalization of the ASM into clusters and encouraging them into adhering to relevant laws. 	
	<ul style="list-style-type: none"> The report observed that activities of ASM have caused serious health challenges like poisoning, trauma- induced sickness and mental retardation among others. Specifically, the Audit visited at least 5 villages in Anka and Bungudu local governments of Zamfara state where about 500 people were estimated to have died due to lead poisoning. 	<ul style="list-style-type: none"> Government should undertake a comprehensive study of the mining environments and the associated health issues with a view to carrying out the necessary amendment of the existing legislation and regulations as it relates to the Nigeria Mining and Minerals Act,2007 	Clean up has been done on Zamfara lead poisoning sites
	<ul style="list-style-type: none"> Quarries were operated by construction companies and abandoned after completion of the projects. There is no strong legislation on Decommissioning of Quarry sites. 	<ul style="list-style-type: none"> MMSD should ensure that companies make adequate provisions in their annual financial statements for reclamation in line with section 115 of Mineral and Mining Act (2007). 	No serious enforcement in place
	<ul style="list-style-type: none"> The production data provided by the MID was based on self-declarations submitted from the extractive companies in the solid minerals sector. MID does not use its own procedures and systems to collect and control production by mining companies. 	<ul style="list-style-type: none"> The need for a robust platform or framework to show production data. Provide the administrators with a comparison of the production volumes declared with the measurements made by the ministry of mines and steel development throughout the year. 	There is improvement with introduction of weigh bridges among others but less monitoring by MID
	<ul style="list-style-type: none"> Exports figures reported by companies were different from those declared by Government Agencies. For example, in year 2014, Tongyi 	<ul style="list-style-type: none"> Quantity FOB should be used as basis for royalty payments on 	

	<p>Allied Mining Ltd, was reported by MID to have paid royalty for 10, 870 tons but exported 35,939.4 tons of lead zinc in year 2014 by NCS. Accordingly, we were not able to reconcile data between any of the Government Agencies and those reported by companies.</p> <ul style="list-style-type: none"> It was also observed that some companies who featured in the export of solid minerals for 2014 were mainly below materiality threshold and we were unable to confirm their permit to export solid minerals in line with extant laws 	<p>export of minerals.</p> <ul style="list-style-type: none"> For the purpose of recovery, government should review year 2014 export documents to ensure that royalty payments on solid minerals are adequately confirmed at export point. There is need for a strong synergy between the relevant government agencies (NEITI, MID, NCS and FIRS) to ensure that all fees due are collected. 	
	<ul style="list-style-type: none"> Some companies do not have up to date monthly returns or poorly completed monthly production records as well as poor document archiving system. 	<ul style="list-style-type: none"> State mines officers should ensure monthly returns are properly completed and filed as at when due. State mines officer should be adequately equipped to enable them discharge their functions by provision of field and office equipment. Companies that have cause to close their sites are advised to formally write MID and MCO for suspension or relinquishment in compliance to Mineral and Mining acts 2007, Minerals and Mining Regulations, 2011 	Field vehicles had been provided
	<ul style="list-style-type: none"> Some engineering construction companies did not provide record for quantity of laterite used in their operations and subsequently did not pay royalty. We observed that some cement companies' uses gypsum but do not pay royalty. 	<ul style="list-style-type: none"> MID should implement payment of royalties for all mineral resources including laterite, sand, shale etc. to all entities engage in commercial excavation operations. Cement Companies and other companies that receive local gypsum supplies from individuals and use should be encourage to demand royalty payment evidence from their local suppliers or 	

		inform MID on royalty payment accordingly.	
	FINANCIAL		
	<ul style="list-style-type: none"> The Audit observed that the 13% derivation payments to solid minerals producing states were not paid. In addition, no framework for segregating Solid Mineral revenues in place. Indices to be used in sharing accrued revenue from the sector were not available to the RMAFC. 	<ul style="list-style-type: none"> FMMSD, RMAFC, FIRS and other relevant agencies to work together in developing framework for calculating and applying the 13% derivation as required by Section 162 (2) of the Constitution. 	
	<ul style="list-style-type: none"> From RMFAC records we noted that the sums of NGN 2,037,594,163.80 accrued from the Solid Minerals Sector for the year ended 2013 were not yet shared. 	<ul style="list-style-type: none"> Urgent steps must be taken to ensure that beneficiaries of statutory disbursement from the mineral resources receive their share. 	RMAFC has formalized solid Mineral Derivation
	<ul style="list-style-type: none"> Companies that are engaged in both quarrying and construction/manufacturing operation do not differentiate the revenues earned from each activity. Multiplicity of taxes, fees and levies imposed by the three tiers of government on extractive companies making environment unsuitable for business. Specifically, NIWA and LASEMA collect royalties from companies that are engaged in sand dredging. 	<ul style="list-style-type: none"> MMSD should advice construction/manufacturing companies to maintain their quarry units as separate business entities to ease implementation of relevant legislations/regulations. The government needs to speed up implementation of solid minerals sector specific fiscal regime 	No action yet
	<ul style="list-style-type: none"> The legal and taxation environment in Nigeria suffers from several limitations, these includes: Lack of centralised reporting system in Nigeria and Lack of a unique identification number for extractive companies that may result in wrong company due to similar company name 	<ul style="list-style-type: none"> A review of the tax reporting system and Tax Identification Numbers in Nigeria is imperative in order to improve controls over extractive sector revenues, transparency and traceability of income. 	Economic management implementation team is drafting Mining Income Tax Act (MITA) while Capital Gain Tax for MMSD sector is receiving attention by FIRS
	<ul style="list-style-type: none"> Regarding revenue streams for 2013 reconciliation, we suggest that the payments and contributions should be restructured for a better understanding. The revenue streams in 	<ul style="list-style-type: none"> Revenue streams can be reviewed to capture and define clearly what each revenue head is and 	There is improvement, however there is need for continuous

	<p>report include a generic payment labeled as 'other payments, which are misleading. We note that several fees such as stamp fees and penalties paid to both FIRS and MID were not included in the reporting template.</p>	<p>under what category of payment it should be subsumed.</p> <ul style="list-style-type: none"> Instructions on how to populate these streams by covered entities should be spelt out clearly. 	<p>sensitization for the new entrants</p>
	<ul style="list-style-type: none"> Several reports from companies do not include production data, information on licenses and location; and Some reporting templates from companies were filled on the accruals basis instead of the cash basis while others did not segregate 2012 from 2013 payments and included them in the same template. 	<ul style="list-style-type: none"> A single reporting template that captures all required information relating to both financial and physical process data is recommended. We recommend using a simplified and intelligible format on interlinked spreadsheets to avoid inputs of contradictory information from one table to another. 	<p>There is improvement</p>
	<ul style="list-style-type: none"> Government Entities did not submit their respective data confirmations in accordance with a formal template and the reporting templates sent by the Mines Inspectorate Department, Mining Cadastre Office and the Federal Inland Revenue Services were not signed by a senior company official; 	<ul style="list-style-type: none"> Confirmation letter from companies' external auditor that confirms that the information they have submitted is comprehensive and consistent with their audited financial statements; and Government reporting entities should be requested to obtain a certification of the accuracy of the government disclosures from the Auditor General. 	<p>Senior officials now signed the official documents of entities. There are audited financial statements from some companies but no Auditor General confirmation for government entities yet.</p>
	<ul style="list-style-type: none"> The Audit has observed persistent activities of some foreign nationals operating in the sector which constitute significant buyers of the Solid Minerals that are mined by artisanal and small scale miners, illegal miners resulting in inaccurate production records and revenue leakages. 	<ul style="list-style-type: none"> Mineral buying centres need to be established with functional Mineral Analysis laboratories that meet ISO certification standards in the six(6) geo-political zones for the purpose of analysing mineral extracted or discovered, while upgrading the existing laboratories to meet international standards 	<p>There are mineral buying centres but more are needed. Mineral analysis laboratories that meet ISO certification is a challenge.</p>

	<ul style="list-style-type: none"> The Mines Inspectorate Department reported aggregated figures for Royalties and for other services fees, and the Federal Inland Revenue Services did not report details of payments received from all companies which were confirmed. Several companies did not report the detailed receipt numbers of payments made to the Federal Inland Revenue Services, the Mining Cadastre Office, Nigeria Customs Service and to the Mines Inspectorate Department; 	<ul style="list-style-type: none"> Given that the Solid Minerals Sector is not a well organised industry, we strongly recommend that a scoping study should be carried out before the reconciliation work is undertaken in order to enable the National Stakeholder Working Group to agree on materiality thresholds, significant payments, important extractive companies, government entities and the reporting template. The scoping study became a mandatory requirement in the new EITI Rules (2013). 	<p>Reporting templates, training workshop were held with all entities and instructions and guidance notes were provided for the preparation of the payment reports.</p>
	<ul style="list-style-type: none"> A few of the extractive companies have made social payments for projects in their respective host communities. These payments were duly reflected in the financial statements. However, we were unable to see verifiable evidence of such projects in the host communities in some cases. The implication of this is that the companies will use such payments to reduce their tax liabilities, leading to loss of revenue to the government. 	<ul style="list-style-type: none"> In order to reduce loss of revenue to government, companies should be required to keep appropriate documentation and records of all social payments duly certified by Mines Environmental Compliance Department (MEC) of MMSD. 	

9.2 Findings and Recommendations 2015

We set forth below our findings and observed weaknesses during the course of the audit. The findings have been discussed under specific headings and, appropriate recommendations made accordingly.

S/N	ISSUES	FINDINGS	RECOMMENDATIONS
1	Production Data	<ul style="list-style-type: none"> It was observed that some companies do not have monthly returns of production. Some MID records of production for different minerals were lumped and not separated. This made computation of royalty difficult. It was noted that the State mines officers over relied on production details submitted by the companies without verification of the correctness and accuracy of the figures. The importance of the Mineral Resources and Environmental Management Committees (MIREMCOs) can be wished away in the Solid Minerals' sector. We observed that this important State committees are no longer functioning or in a state of comatose. 	<ul style="list-style-type: none"> The State mines officers and surveillance team of the MMSD should remain active and equipped with knowledge on measurement machines (and methods) for quarries and mines for effective quantity determination and royalty calculation. There is an urgent need to revive the Mineral Resources and Environmental Management Committees (MIREMCOs) for the development of the Solid Minerals sector especially now that Government is redirecting her attention to Solid Minerals.
2	Funding of solid minerals sector	<ul style="list-style-type: none"> We noted the approval of 30 Billion Naira by the Federal Executive Council (FEC) for the 	We recommend the release of this fund to hasten the diversification programmes of the government through development of detailed and specific mineral exploration,

		development of the solid minerals sector.	<p>increase in local content in minerals related products in which the deposits are available in Nigeria but imported e.g. Gypsum, Kaolin; manpower; provision of infrastructure; machineries, etc.</p> <ul style="list-style-type: none"> The disbursements of the fund should be accompanied with defaulters' clause in order to achieve the main objectives of the fund.
3	Value Addition	It was noted that most of our minerals ores are exported without beneficiation. This is inimical to economic growth of the sector.	<ul style="list-style-type: none"> The federal government should encourage the private sector and some government agencies to establish beneficiation plants in the minerals corridors across the country as well as provision of enabling environment. However, the new royal rate issued by MMSD does not encourage minerals beneficiation as rate is higher on concentrates than ores. Government must continue to encourage import substitution in respect of some minerals e.g. Gypsum, Barite, Kaolin etc. as value addition on minerals and by way of incentives.
4	Security of field personnel	<ul style="list-style-type: none"> It was observed with grave concern the security challenges faced by field mines officers in the course of discharging their duties. 	<ul style="list-style-type: none"> The government should re-introduce the mines police as was the case up to early 70s or re-designate a special arm of the security forces for the task of protecting the mines field officers to enable them meet their revenue target from increased production, more investments from increased security. It will also go a long way in sanitizing the sector of vices including illegal mining activities.
5	Export	<ul style="list-style-type: none"> Exports figures reported by companies were different from those declared by Government Agencies. For 	<ul style="list-style-type: none"> Quantity FOB should be used as basis for royalty payments on export of minerals. For the purpose of recovery, government should review year 2015 export documents to ensure

		<p>example, in year 2015, Coltan mineral resources and Astro mineral resources export data were not captured by NCS.</p> <ul style="list-style-type: none"> It was also observed that some companies who featured in the export of solid minerals for 2015 were mainly below materiality threshold and we were unable to confirm their permit to export solid minerals in line with extant laws 	<p>that royalty payments on solid minerals are adequately confirmed at export point.</p> <ul style="list-style-type: none"> There is need for a strong synergy between the relevant government agencies (MMSD, NCS and CBN) to ensure that all minerals exports including samples have permits duly issued by MID. There is need for a more coordinated effort by Government to increase the capacities of the various security/anti corruption agencies to stem the tide of illegal exportation of minerals.
6	Illegal Miners	<ul style="list-style-type: none"> The activities of illegal miners were observed to be prevalent within the industry, leading to loss of government revenues. 	<ul style="list-style-type: none"> In order to increase revenue, government should continue to encourage ASM to formalize their activities through the various programmes that are in place such as: <ul style="list-style-type: none"> i. Establishment of minerals buying centres, ii. Formation of cooperative societies iii. Access to funding and extension services To avoid revenue leakages, Government should continue with its formalization of informal miners and encouragement of establishment of more private mineral buying centres to facilitate collection of revenue Government should encourage big operators to take-over rich mineral deposits in which illegal mining activities are taking place.
7	Fiscal Regime/Multiple Taxation:	<ul style="list-style-type: none"> It was observed with concern the negative impact of multiple taxation on the operational efficiency and growth of the solid minerals sector. For instance, States, 	<ul style="list-style-type: none"> It is strongly recommended that government should institute a specific fiscal regime for this important sector. All the previous reports have indeed recommended for it.

		<p>Local and other government agencies collect various taxes and levies from operators' e.g NIWA and LASEMA collect royalties from companies that are engaged in sand dredging. This hinders their profitability.</p>	<ul style="list-style-type: none"> Section 76 of Nigeria Minerals and Mining Act 2007 bars NIWA (or any other body for that matter) from collecting royalty; yet the provision is flaunted. An appeal court judgment Ref. CA/L/589/2008 dated 05/12/14 reinforced that only MID is legally entitled to collect royalty. Hence NIWA (or any other body) must not only stop collecting royalty but be made to account for the entire amount illegally collected over time. The government should make it mandatory for extractive companies to keep a separate account for mining/quarry activities in order to determine the profit or loss emanating from such activities and its contribution to the group account especially constructions and cement companies. This will enable the tax authority to determine correctly the taxes payable by such mining company and such taxes will be mining specific.
8	Records of accounts of expatriate companies	<ul style="list-style-type: none"> We observed that some expatriate companies do not keep their accounts within the country and also prepare their accounts in language other than English e.g Mercury mining investment. The company is owned by the Chinese and on Benin – Ore road, Ofusu, Ondo State. The company had not been keeping its activities records and books in the company premises 	<ul style="list-style-type: none"> Any company that does not keep its books and correct records in Nigeria and does not prepare its accounts in English language should be sanctioned accordingly by MID and investigated by FIRS for tax evasion.

		but in China. No evidence of Tax payment.	
9	Social Payments	<ul style="list-style-type: none"> A few of the extractive companies have made social payments for projects in their respective host communities. These payments were duly reflected in the financial statements. However, we were unable to see verifiable evidence of such projects in the host communities in some cases. The implication of this is that the companies will use such payments to reduce their tax liabilities, leading to loss of revenue to the government. 	<ul style="list-style-type: none"> In order to reduce loss of revenue to government, companies should be required to keep appropriate documentation and records of all social payments duly certified by Mines Environmental Compliance Department (MEC) of MMSD.